89-954

No. _____

Supreme Court, U.S.
FILED
DEC 12 1989
JOSEPH F. SPANIOL, JR.
CLERK

IN THE

Supreme Court of the United States

OCTOBER TERM, 1989

MONTEDORO-WHITNEY CORPORATION,
Petitioner,

v.

MARSH-MCBIRNEY, INC.,
Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

THOMAS JEFFERSON SCOTT, JR.
PENNIE & EDMONDS
Suite 1000
1730 Pennsylvania Avenue, N.W.
Washington, D.C. 20006
(202) 393-0177
Counsel of Record

Of Counsel:

BARRY D. REIN, ESQUIRE
PENNIE & EDMONDS
115 Avenue of the Americas
New York, New York 10036

PRESS OF BYRON S. ADAMS, WASHINGTON, D.C. (202) 347-8203

QUESTIONS PRESENTED

(1)(a) Whether the Federal Circuit's dismissal of petitioner's fully briefed appeal on liability in a patent case as premature was justified despite (i) the appeal savings provision, Fed. R. App. P. 4(a)(2), and (ii) the absence of any prejudice to the opposing party, when petitioner noticed its appeal after the district court completely announced its liability decision from the bench under Fed. R. Civ. P. 52(a) but before the district court entered that decision as a final judgment. There is a substantial conflict in the circuits on this issue as nine circuits, including the Ninth where the case was tried, would have heard the appeal and only three, including the Federal Circuit, would not.

(b) This case presents, as a subsidiary question, whether the term, "announcement of a decision" as set forth in Fed. R. App. P. 4(a)(2), applies to a decision on liability announced pursuant to Fed. R. Civ. P. 52(a), and subsequently entered as final pursuant to Fed. R. Civ. P. 58, or is limited to announcements of totally *final* judgments. There is a similar substantial conflict in the circuits on this issue.

(2) Whether the Federal Circuit's denying itself appellate jurisdiction by an arbitrary narrow reading of a timely filed notice of appeal as limited to the damages issue in the case, when petitioner's intention to appeal the question of liability was manifest from the record, is such departure from the principles set forth in this court's opinion in *Foman v. Davis*, 371 U.S. 178 (1962) as to require this court's exercise of its power of supervision?

LIST OF PARTIES

The parties to the proceedings below were the petitioner, Montedoro-Whitney Corporation, and the respondent, Marsh-McBirney, Inc. Petitioner has no parent companies, subsidiaries, or affiliates to list pursuant to Rule 28.1.

TABLE OF CONTENTS

	Page
QUESTIONS PRESENTED	i
LIST OF PARTIES	ii
OPINIONS BELOW	1
JURISDICTION	2
STATUTES AND RULES INVOLVED	2
STATEMENT OF THE CASE	4
REASONS FOR GRANTING A WRIT	9
I The decision below narrowly construing the savings provision of Fed. R. App. P. 4(a)(2) raises an important unresolved question requiring this court's attention. The decisions of the various circuit courts on premature appeals are in substantial conflict on the construction of Fed. R. App. P. 4(a)(2)	9
II The Federal Circuit's action in refusing to hear the merits of petitioner's liability argument on appeal is so contrary to this court's precedent as to require the exercise of the court's supervisory authority over the lower court	19
CONCLUSION	24
APPENDIX	
(Opinion and Judgment of Court of Appeals, Order of Court of Appeals on Rehearing, Judgment and Amended Judgment of District Court, Findings and Conclusions of District Court on Damages Quantification)	1a

TABLE OF AUTHORITIES

Cases	Page
Acosta v. Louisiana Dept. of Health & Human Resources, 478 U.S. 251 (1986)	10
Aguirre v. S.S. Sohio Intrepid, 801 F.2d 1185 (9th Cir. 1986)	12,15
Alcom Elec. Exchange Inc. v. Burgess, 849 F.2d 964 (5th Cir. 1988)	17
Alcorn County, Miss. v. U.S. Interstate Supplies, 731 F.2d 1160, 1165-1166 (5th Cir. 1984)	12
Bankers Trust Co. v. Mallis, 435 U.S. 381 (1978)	13,15,21
In re Calmar, Inc., 854 F.2d 461 (Fed. Cir. 1988)	13
Cape May Greene, Inc. v. Warren, 698 F.2d 179 (3rd Cir. 1983)	17
Conley v. Gibson, 355 U.S. 41, 48 (1957)	22
Dowling v. Philadelphia, 855 F.2d 136 (3rd Cir. 1988)	12,15
Elfman Motors, Inc. v. Chrysler Corp., 567 F.2d 1252, 1254 (3rd Cir. 1977)	23
Federal Sav. & Loan Ins. Corp. v. Quality Inns, Inc. 876 F.2d 353 (4th Cir. 1989)	12,15
Firchau v. Diamond Nat'l Corp., 345 F.2d 269 (9th Cir. 1965)	11
Foman v. Davis, 371 U.S. 178 (1972)	15,19,22
General Television Arts, Inc. v. Southern Ry. Co., 725 F.2d 1327 (11th Cir. 1984)	13,17
Griggs v. Provident Consumer Discount Co., 459 U.S. 56 (1982)	10
H.A. Jones Co. v. KSM Fastening Sys., 745 F.2d 630 (Fed. Cir. 1984)	7
Hodge v. Hodge, 507 F.2d 87 (3rd Cir. 1975)	10,11,15

Table of Authorities Continued

	Page
Lac Courte Oreilles Band of Lake Superior Chippewa Indians v. Wisconsin, 760 F.2d 177 (7th Cir. 1989)	16
Leonard v. United States, 633 F.2d 599 (2nd Cir. 1980), *cert. denied*, 451 U.S. 908 (1981)	12,14-15
Lewis v. B.F. Goodrich Co., 850 F.2d 641 (10th Cir. 1988)	12
Matter of Grand Jury Impanelled Jan. 21, 1975, 541 F.2d 373 (3rd Cir. 1976)	10,15
McCullough v. Kammerer Corp., 331 U.S. 96 (1947)	6,15
Nicholas v. Asbestos Workers Local 24 Pension Plan, 835 F.2d 881, 887-890 (D.C. Cir. 1987)	23
Perington Wholesale, Inc. v. Burger King Corp., 631 F.2d 1369, 1379 (10th Cir. 1979)	23
Ruby v. Secretary of Navy, 365 F.2d 385 (9th Cir. 1966), *cert. denied*, 386 U.S. 1011 (1967)	10-11
Song Jook Suh v. Rosenberg, 437 F.2d 1098 (9th Cir. 1971)	10
State Farm Mut. Auto Ins. Co. v. Palmer, 350 U.S. 944 (1956)	23
Tidler v. Eli Lilly & Co., 824 F.2d 84 (D.C. Cir. 1987)	12
United States v. Arizona, 346 U.S. 907 (1953)	23
United States v. Hansen, 795 F.2d 35 (7th Cir. 1986)	13,17
Wheathley v. Beetar, 637 F.2d 863 (2nd Cir. 1980)	23

Statues and Rules

28 U.S.C. § 1292(c)(2)	6,7,8
28 U.S.C. § 1295(a)(1)	8

Table of Authorities Continued

	Page
28 U.S.C. § 1338(a)	2,5
Fed. R. App. P. 3	23
Fed. R. App. P. 4	7,11-12,19
Fed. R. App. P. 4(a)	7,10
Fed. R. App. P. 4(a)(2)	8-12,14-19
Fed. R. App. P. 4(a)(4)	10,11,19
Fed. R. App. P. 4(a)(6)	8,13
Fed. R. App. P. 4(b)	10
Fed. R. Civ. P. 50	11,14
Fed. R. Civ. P. 52	6,11,14
Fed. R. Civ. P. 52(a)	5,11
Fed. R. Civ. P. 52(b)	6
Fed. R. Civ. P. 54(b)	16
Fed. R. Civ. P. 58	8,16
Fed. R. Civ. P. 59	6,11,14
Fed. R. Civ. P. 79(a)	8

IN THE

Supreme Court of the United States

OCTOBER TERM, 1989

No. ___

MONTEDORO-WHITNEY CORPORATION,
Petitioner,

v.

MARSH-McBIRNEY, INC.,
Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEAL FOR THE FEDERAL CIRCUIT

The petitioner, Montedoro-Whitney Corporation, respectfully prays that a writ of certiorari issue to review the judgment and opinion of the United States Court of Appeals for the Federal Circuit, entered in the above-entitled proceeding on August 7, 1989.

OPINIONS BELOW

The opinion of the United States Court of Appeals for the Federal Circuit is reported at 882 F.2d 498, and is reprinted in the Appendix hereto, p. 1a, *infra*.

The opinion of the United States District Court for the Central District of California (Keller, D. J.) was not reduced to writing in a memorandum format. See, Appendix, p. 18a, 22a, 26a-27a, *infra*. The district

court stated its opinion on the record pursuant to Fed. R. Civ. P. 52. The district court's findings on the quantification of damages and judgment, which are not reported, are reprinted in the Appendix hereto, p. 21a-32a, *infra*.

JURISDICTION

Invoking federal jurisdiction under 28 U.S.C. § 1338(a), respondent brought suit against petitioner in the Central District of California for infringement of United States Patent No. 4,803,246 to Lawrence B. Marsh (Marsh patent). On April 25, 1988, the district court entered judgment against petitioner in the amount of $1.8 million and granted respondent certain injunctive relief. See, p. 17a-20a, *infra*.

On petitioner's appeals and respondent's cross appeal, the Federal Circuit on August 7, 1989, entered a judgment and an opinion dismissing certain of petitioner's appeals and affirming the district court's judgment, in part, and reversing that judgment in part. See, p. 13a-14a, *infra*. Petitioner's timely-filed petition for rehearing was denied on September 13, 1989. See, p. 15a-16a, *infra*.

The jurisdiction of this Court to review the judgment of the Federal Circuit is invoked under 28 U.S.C. § 1254(1).

STATUTES AND RULES INVOLVED

28 U.S.C. § 1292 Interlocutory decisions

* * *

(c) The United States Court of Appeals for the Federal Circuit shall have exclusive jurisdiction—

• • •

(2) of an appeal from a judgment in a civil action for patent infringement which would otherwise be appealable to the United States Court of Appeals for the Federal Circuit and is final except for an accounting.

28 U.S.C. § 1295 Jurisdiction of the United States Court of Appeals for the Federal Circuit

(a) The United States Court of Appeals for the Federal Circuit shall have exclusive jurisdiction—

(1) Of an appeal from a final decision of a district court of the United States, the United States District Court for the District of the Canal Zone, the District Court of Guam, the District Court of the Virgin Islands or the District Court for the Northern Mariana Islands, if the jurisdiction of the court was based, in whole or in part, on section 1338 of this title, except that a case involving a claim arising under an Act of Congress relating to copyrights, exclusive rights in mask works, or trademarks and no other claims under section 1338(a) shall be governed by section 1291, 1292, and 1294 of this title.

Fed. R. App. P. 4 Appeals as of Right—When Taken
(a) Appeals in Civil Cases.

(1) In a civil case in which an appeal is permitted by law as of right from a district court to a court of appeals the notice of appeal required by Rule 3 shall be filed with the clerk of the district court within 30 days after the date of entry of the judgment or order appealed from; but if the United States or an officer or agency thereof is a party, the notice of appeal may be filed by any party within 60 days after such entry. If a notice of appeal is mistakenly filed

in the court of appeals, the clerk of the court of appeals shall note thereon the date on which it was received and transmit it to the clerk of the district court and it shall be deemed filed in the district court on the date so noted.

(2) Except as provided in (a)(4) of this Rule 4, a notice of appeal filed after the announcement of a decision or order but before the entry of the judgment or order shall be treated as filed after such entry and on the day thereof.

* * *

(4) If a timely motion under the Federal Rules of Civil Procedures is filed in the district court by any party: (i) for judgment under Rule 50(b); (ii) under Rule 52(b) to amend or make additional findings of fact, whether or not an alteration of the judgment would be required if the motion is granted; (iii) under Rule 59 to alter or amend the judgment; or (iv) under Rule 59 for a new trial, the time for appeal for all parties shall run from the entry of the order denying a new trial or granting or denying any other such motion. A notice of appeal filed before the disposition of any of the above motions shall have no effect. A new notice of appeal must be filed within the prescribed time measured from the entry of the order disposing of the motion as provided above. No additional fees shall be required for such filing.

* * *

(6) A judgment or order is entered within the meaning of this Rule 4(a) when it is entered in compliance with Rules 58 and 79(a) of the Federal Rules of Civil Procedure.

STATEMENT OF THE CASE

Petitioner is a small manufacturing firm with its principal place of business in San Luis Obispo, California. Among other things, petitioner manufactures flow instrumentation equipment for determining the amount of fluid flow in open conduits such as sewers. Respondent also manufactures such equipment. In 1986, respondent brought suit pursuant to 28 U.S.C. § 1338(a) against petitioner accusing its flow monitoring equipment of infringing the Marsh patent.

After extensive pretrial proceedings, a trial began before the district court in February, 1988 on whether petitioner infringed the Marsh patent. At the beginning of trial, the district court stated from the bench that it would hear and decide all liability issues in the case prior to the receipt of any evidence on damages. On March 4, 1988, both respondent and petitioner had completed their presentation of evidence on all liability issues. The district court requested and received post-trial briefs on the liability issues in the case.[1] In trial sessions held in March, 1988, the district court announced its liability findings of facts and conclusions of law *orally* from the bench, pursuant to Fed. R. Civ. P. 52(a), (a) rejecting petitioner's invalidity and unenforceability defenses to the infringement charge and (b) finding that petitioner's devices, (i) when using an electromagnetic velocity sensing probe infringed the Marsh patent and, (ii) when using an acoustic doppler velocity sensing probe did not infringe the Marsh patent. On March 16, 1988, after concluding its liability findings under

[1] Trial transcripts had been prepared and these briefs included full citations to the record.

Fed. R. Civ. P. 52, the district court set the case down for an immediate trial on damages. During the subsequent damages trial, the district court concluded that damages should be awarded on the basis of lost profits and determined what respondent's profits on petitioner's flow monitoring devices would have been. The damages trial ended on March 30, 1988.[2] On April 25, 1988, the district court entered judgment against petitioner.[3] Neither party filed motions pursuant to Fed. R. Civ. P. 52(b) or 59.

Several appeals were noticed below. Petitioner noticed Appeal No. 88-1318 on March 22, 1988 pursuant to 28 U.S.C. § 1292(c)(2) from the district court's liability determination.[4] On April 7, 1988, petitioner

---

[2] Pursuant to the district court's instruction, respondent lodged with the district court clerk's office, on April 6, 1988, a set of factual findings respecting the quantification of damages. See, p. 25a, *infra*. No *written* findings pursuant to Fed. R. Civ. P. 52 on the liability issues or on respondent's lost profits contentions were ever filed or entered. The only findings entered by the district court in writing, as opposed to those stated orally from the bench, related the actual per unit profit alleged to be lost on each of petitioner's sales of infringing devices. See, p. 25a-32a, *infra*.

[3] This judgment was in a form submitted to the court by respondent's counsel. The judgment included certain injunctive relief to which the parties had stipulated. See, p. 19a, *infra*. The factual findings on damage quantification lodged with the court on April 6, 1988 were also entered on April 25, 1989. See, p. 25a-26a, *infra*. An amended judgment was entered on April 29, 1988 to correct a typographical error in the original judgment. See, p. 21a-24a, *infra*.

[4] Patent cases are unusual in that interlocutory appeals from liability decisions are permitted under 28 U.S.C. § 1292(c)(2). *McCullough v. Kammerer Corp.*, 331 U.S. 96 (1947). Judgments

noticed Appeal No. 88-1344 from certain oral orders entered prior to the last trial session.

On May 18, 1988, after the entry of judgment on April 25, 1988, petitioner noticed Appeal No. 88-1421 from the final judgment and injunction.[5] On May 24, 1988, respondent noticed a cross-appeal which was docketed in the Federal Circuit as Appeal No. 88-1450.

On June 22, 1988, petitioner moved in the Federal Circuit to dismiss respondent's Cross-Appeal No. 88-1450 on the ground that it was untimely filed under Fed. R. App. P. 4. Petitioner contended that its Appeal Nos. 88-1318, 88-1344 were proper under 28 U.S.C. § 1292(c)(2) and that respondent's cross-appeal had not been filed within the time required by Fed. R. App. P. 4(a) or (c).

On June 29, 1988, respondent moved to dismiss petitioner's Appeal Nos. 88-1318, 88-1344 on the grounds that they were premature, having been noticed before the entry of final judgment on April 25, 1988. Respondent contended that the district court's oral liability opinion was not a final judgment on patent infringement liability within the meaning of 28 U.S.C. § 1292(c)(2) and, therefore, was not appealable at the time the notices for Appeal Nos. 88-1318, 88-

---

or orders in patent cases which finally decide all substantive liability issues are appealable. *H.A. Jones Co. v. KSM Fastening Sys.*, 745 F.2d 630 (Fed. Cir. 1984).

[5] Petitioner noticed a further appeal which was transferred from the Ninth Circuit and docketed in the Federal Circuit as No. 88-1598. This last appeal was taken from a supplemental judgment entered by the district court respecting sanctions against petitioner's trial counsel. As this supplemental judgment has been satisfied, Appeal No. 88-1598 is not at issue here.

1344 were filed. The cross-motions to dismiss were fully briefed before the Federal Circuit. In an order filed September 14, 1988, the Federal Circuit declined to rule on the dismissal motions and deferred their consideration until the court's review of the various appeals on the merits. The same order consolidated all five appeals for briefing on the merits and the jurisdictional issues.

In an opinion of August 7, 1989, the Federal Circuit held that it had *no jurisdiction* to hear petitioner's arguments on liability. The Federal Circuit held that Appeal Nos. 88-1318, 88-1344 were premature because no final judgment within the meaning of 28 U.S.C. § 1292(c)(2) had been entered at the time they were noticed. The Federal Circuit held that the requirements of Fed. R. App. P. 4(a)(6) were not met for the district court's March 16, 1988 liability order because no separate document was filed for that order as required by Fed. R. Civ. P. 58 and no proper docket entry as required by Fed. R. Civ. P. 79(a) had been made. The Federal Circuit reasoned that no judgment appealable under either 28 U.S.C. § 1292(c)(2) or 28 U.S.C. § 1295(a)(1) was entered by the district court until April 25, 1988. After ruling that petitioner's first two appeals were premature, the Federal Circuit further reasoned that Fed. R. App. P. 4(a)(2) did not save petitioner's appeals, because that provision applied only to an announced completely final decision not subject to revision prior to entry as a final judgment. The Federal Circuit ruled that a premature appeal filed before the announcement of a completely final judgment is not saved under Fed. R. App. P. 4(a)(2). The Federal Circuit held that no such final judgment had been announced when petitioner's Appeal Nos. 88-1318 and 88-

1344 were noticed. In the Federal Circuit's view, the first "announcement" of any "decision" as those terms are used in Fed. R. App. P. 4(a)(2) occurred in this case upon the actual entry of the final judgment on April 25, 1988.

Further, the Federal Circuit construed petitioner's arguments respecting the timeliness of respondent's cross-appeal as limiting its *jurisdiction* in petitioner's Appeal No. 88-1421 to the damages issues even though petitioner had filed a valid notice of appeal from the final judgment. The Federal Circuit recognized that it had could have exercised jurisdiction over petitioner's liability arguments in Appeal No. 88-1421. However, it refused to do so. The Federal Circuit affirmed the damages determination and reversed the district court's ruling that petitioner's devices using an acoustic probe did not infringe the Marsh patent. The Federal Circuit remanded the case for entry of an injunction and a determination of damages in accordance with its opinion. Petitioner's timely-filed rehearing petition was denied on September 13, 1989. See, p. 15a-16a, *infra*

REASONS FOR GRANTING A WRIT

I The decision below narrowly construing the savings provision of Fed. R. App. P. 4(a)(2) raises an important unresolved question requiring this court's attention. The decisions of the various circuit courts on premature appeals are in substantial conflict on the construction of Fed. R. App. P. 4(a)(2)

Rule 4(a)(2), Federal Rules of Appellate Procedure, provides, in pertinent part, that "a notice of appeal filed after the announcement of a decision. . . but before the entry of judgment. . . shall be treated as filed

after such entry. . .". The interpretation and application of this rule has resulted in substantial controversy. The opinions of the various circuit courts of appeals are in such conflict that clear guidance is needed from this court as to the interpretation of Fed. R. Civ. App. P. 4(a)(2). Specifically, the lower courts need guidance on the definition of an "announcement of a decision" and the circumstances under which premature appeals may be heard. This court has recently provided similar guidance regarding the proper construction of Fed. R. App. P. 4(a)(4) in *Griggs v. Provident Consumer Discount Co.*, 459 U.S. 56 (1982) and *Acosta v. Louisiana Dept. of Health & Human Resources*, 478 U.S. 251 (1986). Similar guidance is needed here.

Subsection (a)(2) was incorporated in Fed. R. App. 4 as a part of the 1979 amendments to the Rules (441 U.S. 969, 974-975) and was stated in the Advisory Committee Notes to be an "extension to civil cases of the provision in Fed. R. App. P. 4(b)" for criminal cases "designed to avoid the loss of the right of appeal" when a notice of appeal was prematurely filed. Fed. R. App. P. 4(a)(2) Advisory Committee Note, *reprinted in*, Federal Civil Judicial Procedure and Rules (1989). The 1979 Advisory Committee Notes state that, "[d]espite the absence of such provision in prior Fed. R. App. P. 4(a), the circuits courts had generally held premature appeals effective." *Id.* In support of its views, the advisory committee cited the cases of *Matter of Grand Jury Impanelled Jan. 21, 1975*, 541 F.2d 373 (3rd Cir. 1976); *Hodge v. Hodge*, 507 F.2d 87 (3rd Cir. 1975); *Song Jook Suh v. Rosenberg*, 437 F.2d 1098 (9th Cir. 1971); *Ruby v. Secretary of Navy*, 365 F.2d 385 (9th Cir. 1966) *cert.*

denied, 386 U.S. 1011 (1967); *Firchau v. Diamond Nat'l Corp.*, 345 F.2d 269 (9th Cir. 1965). In each case cited by the advisory committee, a notice of appeal was filed *after* announcement (sometimes orally from the bench) of a decision or order, *but prior* to the formal entry of an appealable final judgment or order. See, *Matter of Grand Jury, supra*; *Hodge, supra* (premature appeals from oral decisions from bench held effective). Each such notice was held effective because the decision in question, even though technically subject to modification, was subsequently *validated* by the entry of an appealable judgment.[6] Subdivision (a)(2) was incorporated in Fed. R. App. P. 4 to adopt the procedure of handling premature appeals outlined in the cases cited by the advisory committee.[7]

---

[6] Rule 4(a)(2), Federal Rules of Appellate Procedure, draws a distinction between (1) the announcement of a "decision or order" and (2) the entry of "the judgment or order." The term, "decision," is not defined in either the civil or appellate rules. However, Fed. R. Civ. P. 52(a) refers to the district court's findings of fact and conclusions of law made under that provision at or after a bench trial as constituting a decision. In the judgment in this case, the district court referred to its oral findings and conclusions as constituting a decision. See, p. 18a-22a, *infra*. Orders are generally considered any other directive by the court. The term, "judgment," is defined in Fed. R. Civ. P. 54(a) as a decree or order from which an appeal lies. Petitioner submits that, when read in the context of the cases cited by the advisory committee, the term, "announcement of a decision," encompasses the district court's Fed. R. Civ. P. 52 findings and conclusions, even if stated orally from the bench.

[7] In 1979, subsection (a)(4) was also incorporated in Fed. R. App. P. 4 to make it clear that any notice of appeal filed during the pendency of a Fed. R. Civ. P. 50, 52 or 59 motion would have no effect and that a new notice of appeal would be required.

Following the spirit of the advisory committee's expressed view, the large majority of circuits have held that any appeal noticed after a decision is announced, even though such decision was technically not final, is effective under Fed. R. App. P. 4(a)(2) when (i) that decision is subsequently validated by incorporation in a final judgment entered under Fed. R. Civ. P. 54(b) or 58 and (ii) no post-judgment motions under Fed. R. Civ. P. 50, 52 or 59 are filed. *Leonard v. United States*, 633 F.2d 599 (2nd Cir. 1980), *cert. denied*, 451 U.S. 908 (1981); *Dowling v. Philadelphia*, 855 F.2d 136 (3rd Cir. 1988); *Federal Sav. & Loan Ins. Corp. v. Quality Inns, Inc.* 876 F.2d 353 (4th Cir. 1989); *Alcorn County, Miss. v. U.S. Interstate Supplies*, 731 F.2d 1160, 1165-1166 (5th Cir. 1984); *Aguirre v. S.S. Sohio Intrepid*, 801 F.2d 1185 (9th Cir. 1986); *Lewis v. B.F. Goodrich Co.*, 850 F.2d 641 (10th Cir. 1988); *Tidler v. Eli Lilly & Co.*, 824 F.2d 84 (D.C. Cir. 1987). The majority view validates appeals noticed after (1) the announcement of a non-final decision of liability (*Federal Sav. & Loan Ins. Corp., supra*), (2) a non-final decision on fewer than all the claims in the litigation (*Aguirre, supra*; *Dowling, supra*) or (3) a non-final adjudication of the rights of fewer than all parties (*Leonard, supra*) as effective upon the entry of a final judgment. The Federal Circuit failed to consider the majority approach for applying Fed. R. App. P. 4(a)(2), which would have saved petitioner's appeal on liability.[8] Without so stating,

---

This amendment to Fed. R. App. P. 4 recognized the practice in cases prior to the revision that a post trial motion destroyed the finality of judgment.

[8] The Federal Circuit specifically ignored the fact that the Ninth Circuit where the case was tried would have heard the appeal on liability. *Aguirre, supra.*

the Federal Circuit has adopted the minority position set forth in *United States v. Hansen*, 795 F.2d 35 (7th Cir. 1986); *General Television Arts, Inc. v. Southern Ry. Co.*, 725 F.2d 1327 (11th Cir. 1984) which takes the restrictive view that Fed. R. App. P. 4(a)(2) applies only to the announcement of a completely *final judgment* which is subsequently entered *without change or addition*.[9]

The Federal Circuit has failed to follow the basic principles embodied in the federal appellate rules and, therefore, its restrictive view should be rejected. The adoption of the Fed. R. App. P. 4(a)(6) requirement for a specific final written order by the district court was designed to avoid problems in determining the appropriate time to file an appeal. When adopted, Fed. R. App. P. 4(a)(6) could have established a bright line rule with no exceptions. However, this was not the intent of the 1979 rule revision. See, *Bankers Trust Co. v. Mallis*, 435 U.S. 381 (1978). Fed. R. App. P. 4(a)(6) was incorporated to reduce confusion in determining when a party's right to appeal began.[10]

---

[9] The Seventh Circuit in *Hansen* states its view to be the "majority" position. Petitioner's research indicates that this is not correct.

[10] In the present case, after the district court had fully announced its opinion on liability, petitioner filed a notice of appeal in the good faith belief that the district court's decision was final for the purposes of appeal under 28 U.S.C. § 1292(c)(2). Appeals from liability determinations are standard practice in patent cases. *In re Calmar, Inc.*, 854 F.2d 461 (Fed. Cir. 1988). The Federal Circuit states that no separate document was issued under Fed. R. Civ. P. 58 for the March 16, 1988 opinion and, therefore, it was not appealable under 28 U.S.C.§ 1292(c)(2). However, in petitioner's view, the requirement for such separate document was waived because respondent never objected to

However, to accommodate already recognized exceptions for premature appeals, the advisory committee also adopted Fed. R. App. P. 4(a)(2) to save such appeals. The Federal Circuit fails to provide Fed. R. App. P. 4(a)(2) the necessary scope needed to give effect to the reason for its creation—the validation of appeals noticed after announcement of a non-final decision under Fed. R. Civ. P. 52, which is subsequently entered as *a part of the district court's final judgment.*

The Federal Circuit's error in failing to adopt the majority position, when petitioner satisfied all the requirements recognized by the majority for giving effect to premature appeals under Fed. R. App. P. 4(a)(2), operates to work a substantial injustice on petitioner. In the appeals below, petitioner raised substantial patent law issues which the Federal Circuit declined to hear on an improper basis. Petitioner's appeals were filed after the "announcement of the decision" on liability by the district court on March 16, 1988. The district court's announced decision was later entered as its judgment on liability.[11] Petitioner also satisfied the additional requirement, announced by the Second, Third, Fourth and Ninth circuits, that a premature appeal should be effective only in the absence of prejudice to the opposing party. *Leonard v. United States*, 633 F.2d 599 (2nd Cir. 1980), *cert.*

---

petitioner's notice on the basis of this requirement. *Bankers Trust Co., supra.* Under the principle of *Bankers Trust Co.*, petitioner believed its first two appeals to be valid. The Federal Circuit has used a technical distinction to deny petitioner a hearing on the merits.

[11] No post judgment motions under Fed. R. Civ. P. 50, 52, or 59 were ever filed or considered.

denied, 451 U.S. 908 (1981); *Dowling v. Philadelphia*, 855 F.2d 136 (3rd Cir. 1988); *Federal Sav. & Loan Ins. Corp. v. Quality Inns, Inc.*, 876 F.2d 353 (4th Cir. 1989); *Aguirre v. S.S. Sohio Intrepid*, 801 F.2d 1185 (9th Cir. 1986). In this case, respondent has failed to show or even claim that any prejudice would result from giving effect to the premature appeals.

The Federal Circuit ignored the well-recognized principle announced by this court that restrictive construction of appellate notice requirements is totally improper. *Foman v. Davis*, 371 U.S. 178 (1972). Rule 4, Federal Rules of Appellate Procedure, should not be construed to eliminate the right to appeal, but rather to save it. *Bankers Trust Co. v. Mallis*, 435 U.S. 381 (1978). Petitioner satisfied all requirements stated in the plain language of Fed. R. App. P. 4(a)(2). Petitioner's appeal on liability should have been heard because the district court's announced decision on patent infringement liability was appealable under 28 U.S.C. § 1292(c)(2) and Fed. R. App. P. 4(a)(2) when entered as a final judgment. *McCullough v. Kammerer Corp.*, 331 U.S. 96 (1947). Petitioner's premature notice filed after an announced decision on patent infringement liability is the precise type of premature notice which Fed. R. App. P. 4(a)(2) was intended to save. *Matter of Grand Jury, supra; Hodge, supra.*

Petitioner submits that the minority rationale set forth in *Hansen, General Television* and the present case is an improper construction of Fed. R. App. P. 4(a)(2). The improper construction of Fed. R. App. P. 4(a)(2) made by the Seventh, Eleventh and Federal Circuit, in essence, renders that provision without effect. These decisions are contrary to the historical basis upon which Fed. R. App. P. 4(a)(2) was incor-

porated in the appellate rules. In each of the above-identified minority cases, a non-final decision was announced which subsequently became final through entry of a final judgment under Fed. R. Civ. P. 58. The notice of appeal in each case was filed after the announcement of a decision upon which an appeal was sought. Under Fed. R. App. P. 4(a)(2), such notice should have been effective to appeal the decision in question. However, because of its strained interpretation of Fed. R. App. 4(a)(2), the minority holds such appeals to be without effect.

The minority position errs by reading an additional unsupported limitation into Fed. R. App. P. 4(a)(2), i.e., that the announcement of the decision must be the announcement of a complete *final judgment* not subject to further revision.[12] The Advisory Committee Notes and the plain language of the rule provide no support for this additional limitation. Such an interpretation bars most of the originally intended applications of Fed. R. App. P. 4(a)(2)—the validation of

---

[12] The narrow construction of Fed. R. App. P. 4(a)(2) made by the Seventh, Eleventh and Federal Circuit has led to considerable internal confusion in their own decisions. The Eleventh and Federal Circuits in the *General Television* and this case and the Seventh Circuit in *Hansen* are inconsistent with each other in their treatment of a decision which is not final under Fed. R. Civ. P. 54(b) but is later made appealable by the entry of a Fed. R. Civ. P. 54(b) certification. The reasoning of the Eleventh Circuit in *General Television* and the Federal Circuit here would find Fed. R. App. P. 4(a)(2) ineffective in such circumstances. The Seventh Circuit in *Hansen* distinguishes the Fed. R. Civ. P. 54(b) situation as it must because of its own prior decisions on Fed. R. Civ. P. 54(b). See, *Lac Courte Oreilles Band of Lake Superior Chippewa Indians v. Wisconsin*, 760 F.2d 177 (7th Cir. 1989).

appeals noticed after announcement of non-final decisions which are subsequently entered as part of the district court's final judgment.

The Federal Circuit attempts to obscure its unwarranted addition of a further limitation into Fed. R. App. P. 4(a)(2) by adopting the strained interpretation of Fed. R. App. P. 4(a)(2) stated in *United States v. Hansen*, 795 F.2d 35 (7th Cir. 1986); *General Television Arts, Inc. v. Southern Ry. Co.*, 725 F.2d 1327 (11th Cir. 1984). These cases convert the term "announcement of a decision" into "*announcement of a final judgment.*" The correct approach is stated in *Cape May Greene, Inc. v. Warren*, 698 F.2d 179 (3rd Cir. 1983); *Alcom Elec. Exchange Inc. v. Burgess*, 849 F.2d 964 (5th Cir. 1988), to the effect that a prematurely filed appeal, filed before either announcement or entry of *a final judgment*, is effective to invoke appellate jurisdiction, if the announced decision appealed subsequently becomes *final* and none of the motions specified in Fed. R. App. P. 4(a)(4) are filed.

The Federal Circuit's own contradictory interpretation of Fed. R. App. P. 4(a)(2) as to what constitutes an "announcement of a decision" itself is a clear demonstration of the confusion which the opinion below will create. In its opinion, the Federal Circuit concludes that, in this case, the "entry of judgment" was the "announcement of the decision". However, this conclusion is inconsistent with the rule and the Federal Circuit's own previous analysis. Rule 4(a)(2), Federal Rules of Appellate Procedure, draws a distinction between two events, an "announcement of a decision" and an "entry of judgment". The Federal Circuit's opinion ignores this important distinction. Clearly, an "announcement of a decision" and an "entry of judg-

ment" could occur at the same time. The Federal Circuit's own analysis reveals that this case is not one of those situations. Four paragraphs before the Federal Circuit reaches its conclusion as to when a decision was announced, it specifically states "[t]hat all findings of fact and conclusions of law previously *announced* [on March 16, 1988] by the [district] court [were] made final findings of fact and conclusions of law" by the entry of judgment. (emphasis added). Logically, the March 16, 1988 *announced* findings of fact and conclusions of law, *which were later entered without modification*, should constitute an "*announcement of a decision*" under Fed. R. Civ. P. 52(a). By merging the "announcement of a decision" with "entry of judgment", the Federal Circuit reads out a crucial distinction and destroys the primary intent of Fed. R. App. P. 4(a)(2) *to save premature appeals.*

The Federal Circuit's interpretation of Fed. R. App. P. 4(a)(2) adding an additional and unwarranted limitation to the rule is contrary to its clear language and plain meaning. The majority position, giving effect to premature appeals where appropriate, is much more tenable position. The majority position allows the intent of the parties to be taken into account and permits judicial discretion in situations where the opposing party might be prejudiced. The majority position avoids the application of strict notice requirements which the advisory committee sought to avoid. It also provides an equitable rule regarding the circumstances in which premature appeals will be given effect and avoids the ambiguity which the Federal Circuit has injected into the definition of the term, "announcement of a decision." The majority position, whereby the term "an announcement of a

decision" is given its ordinary and plain meaning, is supported by the current language of Fed. R. App. P. 4 and should be adopted by this court.[13]

II The Federal Circuit's action in refusing to hear the merits of petitioner's liability argument on appeal is so contrary to this court's precedent as to require the exercise of the court's supervisory authority over the lower court

In refusing to hear petitioner's arguments on liability, the Federal Circuit acted in a manner so far removed from the established precedent of this court that this court should exercise its supervisory authority to require a proper consideration of petitioner's appeals on the merits.

The Federal Circuit's decision in this case is in direct conflict with and does violence to the principles set forth in this court's decision in *Foman v. Davis*, 371 U.S. 178 (1962). The present case involves the effectiveness of a subsequently filed appeal when an earlier appeal has been found to be premature. In the present case, petitioner's intention to seek review of the liability issues was manifest from the record.[14] A

---

[13] The majority position also relies upon drawing a negative inference from the following language in Fed. R. App. P. 4(a)(2), "[e]xcept as provided in (a)(4) of this Rule 4, a notice of appeal filed. . .". If none of the specific motions listed in Fed. R. App. P. 4(a)(4) is pending, then the premature notice of appeal should be given effect.

[14] The liability issues were properly listed in petitioner's brief on appeal. Respondent had full opportunity to present its position on these issues in its responsive brief and did so. The decision below is particularly egregious because petitioner filed a valid notice of appeal which the Federal Circuit found *limited* by the earlier notices and petitioner's jurisdictional argument.

brief review of the facts in the *Foman* case demonstrates its startling similarity to the present circumstances which, in petitioner's view, requires this court to exercise its supervisory authority.

In *Foman*, the district court entered a judgment on December 19, 1960. On December 20, 1960, the *Foman* petitioner filed a motion to vacate the judgment and a motion to amend the complaint. On January 17, 1961, the *Foman* petitioner filed a notice of appeal from the December 19, 1960 judgment. On January 23, 1961, the district court denied the *Foman* petitioner's motions to vacate the judgment and amend the complaint. On January 26, 1961, the *Foman* petitioner filed a notice of appeal from the denial of her motions. The First Circuit treated the first notice of appeal as premature, because of the then pending motion to vacate, and therefore dismissed that appeal. The First Circuit then held that the second notice of appeal was ineffective to review the judgment of dismissal because it failed to specify that the appeal was from that judgment. The First Circuit then affirmed the district court's denial of petitioner's motion on the ground that there was nothing in the record to support a finding that the district court had abused its discretion in refusing to allow amendment of the complaint. This court held that the First Circuit erred in narrowly reading the second notice of appeal as applying *only* to the denial of petitioner's motions, since petitioner's intention to seek review of both the dismissal of the complaint and denial of her motions was manifest from the record as a whole.

In the present case, even following the Federal Circuit's reasoning that the petitioner's initial appeals were premature, petitioner's third timely appeal from

the final judgement provided full jurisdiction for review of the lower court's liability determination. The Federal Circuit stated that such jurisdiction was present, but decided to construe the timely appeal *narrowly* because of petitioner's argument that respondent's cross-appeal was untimely.

Failing to follow this court's *Foman* decision, the Federal Circuit erroneously construed petitioner's timely appeal as limited to damages. In *Foman*, the First Circuit erred by narrowly construing the *Foman* petitioner's second appeal to be limited to an appeal of the denial of the *Foman* petitioner's post-judgment motions. The Federal Circuit in this case erred by narrowly reading the scope of petitioner's timely appeal to include only the damage issues.[15] The Federal Circuit's entire basis for concluding that petitioner's valid appeal from the judgment should be limited to damages is that petitioner made a jurisdictional argument regarding respondent's cross-appeal. The Federal Circuit concludes that this *argument* acted as a form of *estoppel* limiting the timely appeal to the damages issues. The improper construction by the Federal Circuit is directly contrary to well-established precedent of this court. See, *Bankers Trust Co. v. Mallis*, 435 U.S. 381 (1978). This court's jurisprudence disfavors dismissal or limiting of an appeal on technicalities when the intent to appeal a particular issue is manifest from the record as a whole and jurisdiction is available. The Rules of Appellate Procedure are to be interpreted to prevent loss of the right of appeal, not to facilitate loss. *Banker Trust Co.* at 386.

---

[15] The Federal Circuit has not itself distinguished *Foman* in its opinion although this case was brought to its attention.

The Federal Circuit's decision in this case is in such direct conflict with the principles enunciated in *Foman* and *Bankers Trust Co.* that the exercise of supervisory authority is needed. This court's *Foman* decision firmly established that avoiding appeals on the merits on the basis of technicalities is totally improper.

As *Foman* states, "The defect in the second notice of appeal did not mislead or prejudice the respondent. . . . .Taking the two notices and the appeal papers together, petitioner's intention to seek review of both the dismissal and the denial of the motions was manifest. Not only did both parties brief and argue the merits of the earlier judgment on appeal, but petitioner's statement to both respondent and the court pursuant to rule, similarly demonstrated the intent to challenge the dismissal. It is too late and entirely contrary to the spirit of the Federal Rules of Civil Procedure for decisions on the merits to be avoided on the basis of such mere technicalities. 'The Federal Rules reject the approach that pleading is a game of skill in which one misstep by counsel may be decisive to the outcome and accept the principle that the purpose of pleading is to facilitate a proper decision on the merits.' " *Foman* at 181-182, citing *Conley v. Gibson*, 355 U.S. 41, 48 (1957).

There is no question that according to the principles set forth in *Foman*, the Federal Circuit should have construed petitioner's timely appeal as raising all the issues listed in petitioner's principal brief. Petitioner has *exhaustively* researched the question and found no case supporting the Federal Circuit's position that a party's jurisdictional argument can limit the scope of its appeal and act as an estoppel with respect to

the construction of a notice of appeal properly and timely filed. In this regard, petitioner notes that the Federal Circuit decision is in direct conflict with the other circuits which have in the construction of notices of appeal held that any document validly raising issues on appeal can be construed as a timely filed and adequate notice. *Nicholas v. Asbestos Workers Local 24 Pension Plan*, 835 F.2d 881, 887-890 (D.C. Cir. 1987); *Wheathley v. Beetar*, 637 F.2d 863 (2nd Cir. 1980); *Perington Wholesale, Inc. v. Burger King Corp.*, 631 F.2d 1369, 1379 (10th Cir. 1979); *Elfman Motors, Inc. v. Chrysler Corp.*, 567 F.2d 1252, 1254 (3rd Cir. 1977). The Federal Circuit's opinion is directly contrary to this court's decisions under Fed. R. App. P. 3 regarding the construction of notices and is also in conflict with the established principle that the Federal Rules of Civil Procedure and Appellate Procedure are to be construed to save an appeal rather than facilitate its loss. *State Farm Mut. Auto Ins. Co. v. Palmer*, 350 U.S. 944 (1956); *United States v. Arizona*, 346 U.S. 907 (1953). The exercise of supervisory authority over the Federal Circuit is mandated here.

CONCLUSION

For the various reasons stated herein, this petition for a writ of certiorari should be granted.

Respectfully submitted,

THOMAS JEFFERSON SCOTT, JR.
PENNIE & EDMONDS
1730 Pennsylvania Avenue, N.W.
Suite 1000
Washington, D.C. 20006
Telephone (202) 393-0177
Counsel of Record

Of Counsel:

BARRY D. REIN, ESQUIRE
PENNIE & EDMONDS
1155 Avenue of the Americas
New York, New York 10036

APPENDIX

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

88-1318,-1344,-1421,-1450,-1598

MARSH-MCBIRNEY, INC.,
Plaintiff-Appellee,

v.

MONTEDORO-WHITNEY CORPORATION,
Defendant-Appellant.

J. Alan Galbraith, Williams & Connolly, of Washington, D.C., argued for plaintiff-appellee.

Thomas J. Scott, Pennie & Edmonds, of Washington, D.C., argued for defendant-appellant. With him on the brief was *Joseph V. Colaianni*. Also on the brief was *Frank Frisenda, Jr.*, Frisenda, Morris & Nicholson, of Los Angeles, California, of counsel.

Appealed from: U.S. District Court for the Central District of California

Judge Keller

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

88-1318,-1344,-1421,-1450,-1598

MARSH-MCBIRNEY, INC.,
Plaintiff-Appellee,

v.

MONTEDORO-WHITNEY CORPORATION,
Defendant-Appellant.

DECIDED: August 7, 1989

Before FRIEDMAN, MAYER and MICHEL, *Circuit Judges.*

MAYER, *Circuit Judge.*

OPINION

Marsh-McBirney, Inc. sued Montedoro-Whitney Corporation for infringement of its U.S. Patent No. 4,083,246, for a flow rate meter. The United States District Court for the Central District of California, No. 86-3022, found that Montedoro-Whitney devices with electromagnetic probes were infringing but devices equipped with acoustic probes were not. The court issued a permanent injunction against Montedoro-Whitney prohibiting production of the infringing devices and awarded Marsh-McBirney $1.8 million in damages. We dismiss Montedoro-Whitney's appeals of the infringement findings, Nos. 88-1318 and 88-1344, and affirm the judgment in No. 88-1421 on damages and the injunction; we reverse the judgment of noninfringement by devices with acoustic probes in No. 88-1450, and

remand for determination of damages and injunctive relief against the devices with acoustic probes.

Background

The '246 patent discloses a flow rate meter for measuring the flow of fluid in a partially filled conduit, channel or similar passage. Its most pertinent application is measuring the flow of water in sewers. Specifically, claim 1 of the patent reads:

> 1. Apparatus for measuring the flow of fluid in a conduit, channel or the like, comprising
>
> (a) means mounted in the conduit for producing an average fluid velocity signal, including
>
> (1) a probe;
>
> (2) means for mounting said probe between the low water mark and the bottom of said conduit, whereby said probe produces a local velocity signal; and
>
> (3) means for modifying said local velocity signal to produce said average velocity signal;
>
> (b) means for producing a fluid height signal corresponding to the height of the fluid in the conduit;
>
> (c) transfer function means for converting the fluid height signal to a fluid area signal;
>
> (d) means for multiplying the average fluid velocity signal with the fluid area signal to produce a fluid flow rate signal; and
>
> (e) indicator means connected with the output of said multiplier means for producing an indication of the magnitude of said fluid flow rate signal.

Claim 2 claims the "[a]pparatus as defined in claim 1, wherein said probe comprises an electromagnetic probe of velocity sensing means."

Before the '246 patent, most of the art focused on the "magic point," where the average velocity could be determined directly. If the fluid level fell below the magic point, the flow meter would not work. Devices above the low water mark were also susceptible to clogging in sewer environments. Other prior art devices avoided the measurement of average velocity altogether. The '246 patent covered the first invention to disclose a means of mounting a probe at the low water mark to measure local velocity and then modifying it to achieve an average velocity signal.

The devices of Montedoro-Whitney that are the subjects of this suit are the WDFM-7 and WDFM-8 models. The WDFM-7 is a stand-alone flow meter which measures certain parameters in a conduit or channel and provides the measurements to a microprocessor programmed to make flow calculations. The WDFM-8 is a data collection device which records the measurement data that is provided to a general purpose computer capable of doing flow calculations.

In addition to meters with electromagnetic probes like Marsh-McBirney's, Montedoro-Whitney also produces flow meters equipped with bi-directional acoustic probes. Both types of probes are mounted at the low water mark and determine local velocity.

In finding infringement, the district court first rejected Marsh-McBirney's claim of literal infringement because element (a)(3) of claim 1 requires the production of an average velocity signal and neither WDFM-7 nor WDFM-8 devices separately produce an average velocity signal. Still, the district court found that the Montedoro-Whitney devices merely resequenced the fluid flow computations, and while average velocity was not expressly computed, it was still

there. Accordingly, there was infringement under the doctrine of equivalents.

Turning to the acoustic probes, however, the court found that they had several nondispositive advantages over the electromagnetic probes, including greater accuracy and resistance to fouling from grease and slime accumulation. It said that Montedoro-Whitney developed the first successful bi-directional acoustic probe, and that, in applying for the patent in 1976, Marsh chose the electromagnetic probe over the then available acoustic probes. The court therefore concluded that acoustic probes were not "probes" as recited in claim 1 and were not infringing.

On damages, the district court held that Montedoro-Whitney and Marsh-McBirney were the only competitors in a domestic niche of the market because theirs were the only devices to measure velocity at the low water mark and consequently were far more accurate than devices of other competitors. Therefore it computed damages by a "lost profits" analysis.

In this court, the parties present a panoply of procedural and substantive matters. Each side contends the other's appeal on liability is untimely. Montedoro-Whitney appeals the findings of infringement by devices with electromagnetic probes, the computation of damages, and the propriety of the injunction. Marsh-McBirney cross-appeals on the finding of noninfringement by Montedoro-Whitney's devices with acoustic probes.

On March 22, 1988, Montedoro-Whitney appealed ostensibly under 28 U.S.C. §1292(c)(2) (1982) from the district court's March 10, 11 and 16 oral findings of fact and conclusions of law addressed to infringement by Montedoro-Whitney's WDFM-7 and WDFM-8 sensors equipped with electromagnetic probes. Montedoro-Whitney filed a second appeal on April 7 appealing further oral findings and conclusions announced on March 24, 29 and 30. The parties focus their arguments on the March 16 findings;

for the sake of clarity, we do, too. But our analysis applies equally to the other findings addressed in the March 22 and April 7 appeals, Nos. 88-1318 and 88-1344. Montedoro-Whitney also filed another appeal limited to damages, No. 88-1421, on May 18, 1988, after the court entered final judgment on April 25. Marsh-McBirney did not cross appeal the finding of noninfringement of devices with acoustic probes until May 24, 1988, No. 88-1450, after the final judgment.

In separate motions and in their appeals, the parties strive mightily to exclude each other's appeals for untimeliness. Montedoro-Whitney argues that section 1292(c)(2) permits it to appeal from a judgment or order of infringement that is final except for an accounting, and the March 16, 1988, oral opinion was such an order. Because Marsh-McBirney did not file a cross-appeal within fourteen days of Montedoro-Whitney's appeal or within thirty days of the March 16 findings, Montedoro-Whiteney maintains that the May 24 cross-appeal is untimely. Marsh-McBirney counters that the March 16 finding was not appealable under section 1292(c)(2), and because Montedoro-Whitney limited its appeal of May 18, 1988, to damages, its earlier premature appeals on liability are now lost. We agree with Marsh-McBirney and that leaves only Montedoro-Whitney's appeal of damages and the injunction, and Marsh-McBirney's cross-appeal of noninfringement by the acoustic probes before us.

Discussion

A. Timeliness of the Appeals

We look first to our jurisdiction. Times for appeal are jurisdictional and cannot be waived. *Browder v. Director, Ill. Dep't of Corrections*, 434 U.S. 257, 264 (1978); *see also Tylo Suana S.A. v. Amerec Corp.*, 826 F.2d 7, 9, 3 USPQ2d 1792, 1793 (Fed. Cir. 1987).

Section 1292(c)(2) provides: "The United States Court of Appeals for the Federal Circuit shall have exclusive jurisdiction . . . of an appeal from a judgment in a civil action for patent infringement which would otherwise be appealable to the United States Court of Appeals for the Federal Circuit and is final except for an accounting." In determining whether a judgment is "final except for an accounting," the key is the "binding effect in disposing of the [patent infringement] question." *McCullough v. Kammerer Corp.*, 331 U.S. 96, 99, 73 USPQ 136, 138 (1947). Section 1292(c)(2) still requires a judgment, not just the announcement of findings of fact and conclusions of law. *Cf. H.A. Jones Co. v. KSM Fastening Sys.*, 745 F.2d 630, 631, 223 USPQ 689, 689 (Fed. Cir. 1984). Rule 54(a) of the Federal Rules of Civil Procedure describes a judgment as "a decree or any order from which an appeal lies."

A judgment is not appealable within the meaning of Federal Rule of Appellate Procedure 4(a)(6) unless it is entered in compliance with Rules 58 and 79(a) of the rules of Civil Procedure. Rule 58 requires that "[e]very judgment shall be set forth on a separate document." Absent waiver, there is no judgment without a separate document. *United States v. Indrelunas*, 411 U.S. 216, 220 (1973); *Bandag, Inc. v. Al Bolser Tire Stores, Inc.*, 719 F.2d 392, 393, 219 USPQ 1049 (Fed. Cir. 1983). The purpose of this rule is to save litigants from losing the opportunity to appeal because they failed to recognize which docket entry constituted the entry of a final judgment. *Indrelunas*, 411 U.S. at 220. In our case, no separate document was ever issued for the March 16 findings. Indeed, the district court warned during the trial that an appeal would be premature. We have precisely the case that Rule 58 was designed to obviate.

Rule 79(a) requires that "orders, verdicts, and judgments shall be entered chronologically in the civil docket . . . . These entries shall be brief but shall show the nature of each paper filed or writ issued and the substance of

each order or judgment of the court and of the returns showing execution of process." The docket entry must dispose of the issues and state a final declaration of the result. *See Rappaport v. United States*, 557 F.2d 605, 606 (7th Cir. 1977).

Montedoro-Whitney relies on a minute order of March 16, 1988 (docket entry 133) to support its argument that a final judgment was entered. This minute order merely stated, "Crt makes its findings of fact & conclus of law." A reading of the entry does not disclose what the finding on infringement was, nor does it show that a separate document was mailed to the parties or that judgment was entered.

By contrast, the docket entry detailing the April 25 final judgment (docket entry 157) said, "Jgmt be ent in favor of Marsh-McBirney . . . in total amt of $1,797,456 . . . . (Ent 4-25-88) Mld cpys & notcs to ptys." It leaves no doubt about the substance of the judgment and that a separate document was prepared and mailed to the parties. The failure of the March 16 minute order to do likewise leads to only one conclusion--no judgment was entered or intended.

The final judgment itself confirms this by reciting, "That all findings of fact and conclusions of law previously announced by the Court are hereby made final findings of facts and conclusions of law [ ]." That of course means they were not final before. The court's procedure is not objectionable, either. In fact, we have recommended "that a district court should refrain from entering an appealable order until the findings of facts and conclusions of law *upon which the district court intends the losing party to base any appeal* also are entered." *Hybritech Inc. v. Abbott Laboratories*, 849 F.2d 1446, 1450, 7 USPQ2d 1191, 1195 (Fed. Cir. 1988).

The court did not intend the intermittent findings and conclusions it made on March 10, 11, 16, 24, 29 and 30

to be the basis of appeal until they were entered on April 25 and it made this emphatically clear to Montedoro-Whitney. The court made the oral finding of infringement for the convenience of the participants in the trial. But it denied a motion by Montedoro-Whitney to bifurcate the trial into liability and damages phases, *see* Fed. R. Civ. P. 42(b), in which Montedoro-Whitney's express reason for asking for bifurcation was to allow it to appeal on liability. Even as Montedoro-Whitney was readying its first appeal, it was fully aware that the court had not reached all the liability issues. That did not occur until March 29 after the district court ruled on patent misuse, but the court entered no judgment then either.

From our perspective, the district court chose the most expeditious means for trying this case. After taking the evidence on liability, the court announced its intention to go immediately into remedy, finished hearing all evidence by March 30, and issued a final judgment only three weeks later on April 25. Section 1292(c)(2) is not available for the misuse to which it was put in this case, whereby Montedoro-Whitney appealed tentative announcements of the trial court as they were made. The court, not the litigants, controls the proceedings and decides when judgments are to issue. It is unreasonable to suppose that a party is free to appeal every utterance of the trial court under the guise of section 1292(c)(2), which is, after all, a limited exception to the normal rule that appeals must await final judgment on the whole case.

If its appeals were premature, as they were, Montedoro-Whitney argues that Fed. R. App. P. 4(a)(2) saves them. We disagree. That rule says, "Except as provided in (a)(4) of this Rule 4, a notice of appeal filed after the announcement of a decision or order but before the entry of the judgment or order shall be treated as filed after such entry and on the day thereof." The rule, however, applies only to a decision that will be final upon its entry. *See* 9 J. Moore, B. Ward & J. Lucas, Moore's Federal Practice

¶ 204.14, at 4-128 (3d ed. 1989). It will not rescue a premature appeal that is filed before the announcement of a final decision. *See Hansen v. United States*, 795 F.2d 35, 37 (7th Cir. 1986); *General Television Arts, Inc. v. Southern Ry. Co.*, 725 F.2d 1327, 1331 (11th Cir. 1984).

Montedoro-Whitney filed its notice of appeal after the March 16 findings and conclusions were announced and noted in the civil docket, but that did not complete the liability inquiry. Inducement to infringe and contributory infringement, and patent misuse remained outstanding and were not resolved until March 24 and 29, respectively. The court also left the record open for receipt of supplemental findings or revisions until final judgment. *See* Fed. R. Civ. P. 54(b). There was no announcement of a decision or order in this case except by the entry of the final judgment on April 25; entry of judgment was the "announcement" of the decision.

Montedoro-Whitney has only itself to blame for its failure to lodge a timely appeal. The district court warned that the appeal was premature and sanctionable as vexatious conduct. Yet, Montedoro-Whitney persisted in its view even after final judgment. It had a vehicle for all issues in its appeal of May 18, 1988, of course. But it has insisted that appeal covers only damages because that is the predicate for one of its major arguments: that Marsh-McBirney's appeal is untimely and we cannot reach it. We accept the case as it was presented and conclude that Montedoro-Whitney's appeals on liability are untimely and we are without jurisdiction to hear them.

B. The Acoustic Probes

The first step in determining infringement is properly construing the claims.* *See United States v. Telectronics*,

* Because Montedoro-Whitney's appeal on infringement was premature and is not before us, it may not contest the district court's finding that element (a)(3) of claim 1 is present in its devices under the doctrine of

857 F.2d 778, 781, 8 USPQ2d 1217, 1219 (Fed. Cir. 1988); *Moeller v. Ionetics, Inc.*, 794 F.2d 653, 656, 228 USPQ 90, 93 (Fed. Cir. 1986). Claim construction is a matter of law; however, interpretation of the claim may depend on evidentiary material about which there is a factual dispute. *See LaBounty Mfg., Inc. v. United States Int'l Trade Comm'n*, 867 F.2d 1572, 1574, 9 USPQ2d 1995, 1997 (Fed. Cir. 1989).

Element (a)(1) of claim 1 of the patent is "a probe." Claim 2 is for an "[a]pparatus as defined in claim 1, wherein said probe comprises an electromagnetic probe of velocity sensing means." Reading the claim 2 requirement that probes be electromagnetic into claim 1 violates the principle that "narrow claim limitations cannot be read into broad [claims] whether to avoid invalidity or to escape infringement." *Uniroyal Inc. v. Rudkin-Wiley Corp.*, 837 F.2d 1044, 1054, 5 USPQ2d 1434, 1441 (Fed. Cir. 1988).

Montedoro-Whitney, however, maintains that claim 1 is properly limited to electromagnetic probes by the discussion of electromagnetic probes in the specification. To the extent it refers us to the specification in construing the claims, Montedoro-Whitney is on sound ground. *See Data Line Corp. v. Micro Technologies, Inc.*, 813 F.2d 1196, 1201, 1 USPQ2d 2052, 2055 (Fed. Cir. 1987); *Radio Steel & Mfg. Co. v. MTD Prod., Inc.*, 731 F.2d 840, 848, 221 USPQ 657, 663 (Fed. Cir. 1984). Its reading of the specification, however, is incorrect.

The specification does discuss the interaction between the electromagnetic probe and the rest of the device, but it also allows for use of other probes. In explaining different configurations of this invention, the specification

---

equivalents, and is limited to supporting the district court's conclusion that the acoustic probes were not "probes" as claimed by element (a)(1). *See United States v. New York Tel. Co.*, 434 U.S. 159, 166 n.8 (1977) (without cross-appealing, the prevailing party may defend the judgment on any ground which would not expand the relief it has been granted).

states: "the average velocity of Fig. 6 is obtained by placement of the electromagnetic sensor (*or any velocity sensor*) at such a position that it always measures average velocity." Col. 3, 11. 57-60 (emphasis added). In Fig. 7, the inventor's probe shown at the low water mark is described as a "velocity sensor." Col. 3, 11, 62-65. The purpose of both the electromagnetic and acoustic probes is to sense velocity.

Montedoro-Whitney's acoustic probes are mounted at the low water mark and obtain the local velocity signal. They were first developed as retrofits for electromagnetic probes. The acoustic probes do have the advantages of greater accuracy, lower power design, less foulability, and increased safety as the district court observed; but simply because Montedoro-Whitney refined the acoustic probe to make it work better in a sewer environment does not mean it avoids claim 1. Advances subsequent to the patent may still infringe. *See Atlas Powder Co. v. E. I. DuPont De Nemours & Co.*, 750 F.2d 1569, 1581, 224 USPQ 409, 417 (Fed. Cir. 1984). The district court said that the Montedoro-Whitney acoustic probe's capability for bidirectional flow measurement was significant to its finding of non-infringement because this was an advance over earlier acoustic probes. This is irrelevant, however, because whether the velocity sensors are electromagnetic or acoustic, bidirectional or not, they are "probes" encompassed by element (a)(1).

At the time of the invention, acoustic probes were part of the prior art. Marsh was aware of them, and testified that he chose to use the electromagnetic probe because it best served his needs. But that is not to say that he excluded acoustic probes from his patent. Montedoro-Whitney points to no evidence that Marsh limited his claim to electromagnetic probes, and the district court did not find otherwise, notwithstanding its apparent misapprehension that Marsh's preference for the electromagnetic limits the scope of the invention to that mode.

C. Damages

The district court awarded Marsh-McBirney damages for lost profits, finding that the parties operate in a unique sector of the domestic market insofar as the infringing devices are concerned. To recover lost profits, the patent owner must show there was a reasonable probability that, but for the infringement, it would have made the sales made by the infringer. *Del Mar Avionics Inc. v. Quinton Instrument Co.*, 836 F.2d 1320, 1326, 5 USPQ2d 1255, 1260 (Fed. Cir. 1987). "The patent holder does not need to negate *all* possibilities that a purchaser might have bought a different product or might have foregone the purchase altogether." *Paper Converting Mach. Co. v. Magna-Graphics Corp.*, 745 F.2d 11, 21, 223 USPQ 591, 598 (Fed. Cir. 1984). But when the contesting parties are the only suppliers of the product, it is not inappropriate to infer that the patentee would have had the sales made by the infringers. *Del Mar*, 836 F.2d at 1327, 5 USPQ2d at 1260.

The district court found that Marsh-McBirney and Montedoro-Whitney devices occupied a separate niche because they were the only ones that measured velocity by a probe positioned at the bottom of the conduit. With this technique, the devices were significantly more accurate than the flow meters of other competitors. Montedoro-Whitney gives us no basis to question the district court's identification of this niche or its finding that producers outside the niche could not compete with it. *See Yarway Corp. v. Eur-Control USA, Inc.*, 775 F.2d 268, 276, 227 USPQ 352, 357 (Fed. Cir. 1985).

Conclusion

The judgment of the district court in No. 88-1421 is affirmed insofar as it awards damages and injunctive relief for infringement of the Marsh patent by WDFM-7 and WDFM-8 devices with electromagnetic probes; the judg-

ment in No. 88-1450 is reversed insofar as it finds no infringement by the WDFM-7 and WDFM-8 devices with acoustic probes; and the case is remanded for reconsideration of damages and the injunction in accordance with this opinion. The appeals in Nos. 88-1318 and 88-1344 are dismissed.

COSTS

Montedoro-Whitney will bear the costs of these appeals.

AFFIRMED IN PART, REVERSED IN PART AND REMANDED

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

88-1318, -1344, -1421, -1450, -1598

MARSH-MCBIRNEY, INC.,
Plaintiff/Cross-Appellant,

v.

MONTEDORO-WHITNEY CORPORATION,
Defendant-Appellant.

ORDER

Before FRIEDMAN, Circuit Judge, MAYER, Circuit Judge, and MICHEL, Circuit Judge.

A petition for rehearing having been filed in this case,

UPON CONSIDERATION THEREOF, it is

ORDERED that the petition for rehearing be, and the same hereby is, denied.

The suggestion for rehearing in banc is under consideration.

The mandate will issue on September 20, 1989.

FOR THE COURT,

/s/ Francis X. Gindhart
Francis X. Gindhart
Clerk

Dated: September 13, 1989

cc: THOMAS J. SCOTT
J. ALAN GALBRAITH

MARSH-MCBIRNEY V MONTEDORO-WHITNEY, 88-1318, -1344, -1421, -1450, -1598

FILED

U.S. COURT OF APPEALS FOR
THE FEDERAL CIRCUIT

SEP 13 1989

FRANCIS X. GINDHART
CLERK

Note: This order has not been prepared for publication in a reporter.

IN THE UNITED STATES DISTRICT COURT
FOR THE CENTRAL DISTRICT OF CALIFORNIA

Civ. No. 86-3022 WDK (Mcx)

MARSH-McBIRNEY, INC.,
a Maryland Corporation

Plaintiff

vs.

MONTEDORO-WHITNEY CORPORATION,
a California Corporation,

Defendant

MONTEDORO-WHITNEY CORPORATION
a California Corporation,

Counter-Claimant,

vs.

MARSH-McBIRNEY, INC.
a Maryland Corporation

Counter-Defendant

FILED
APR 20 1988
U.S. DISTRICT
COURT DISTRICT OF
CALIFORNIA

ENTERED
CLERK U.S.
DISTRICT COURT
APR 25 1988
CENTRAL DISTRICT
OF CALIFORNIA
BY DEPUTY
THIS CONSTITUTES
NOTICE OF ENTRY
AS REQUIRED BY
FRCP, RULE 77(d).

LODGED
APR 6 1988
CLERK U.S.
DISTRICT COURT
CENTRAL DISTRICT
OF CALIFORNIA
BY DEPUTY

Richard A. Wallen
Michael J. MacDermott

HARRIS, KERN, WALLEN & TINSLEY
650 South Grand Avenue
14th Floor
Los Angeles, California 90017
(213) 626-5251

J. Alan Galbraith
WILLIAMS & CONNOLLY
839 17th Street, NW
Washington, DC 20006
(202) 331-5022

Brian G. Brunsvold
FINNEGAN, HENDERSON, FARABOW,
GARRETT & DUNNER
1775 K Street, NW
Washington, DC 20006
(202) 293-6850

Attorneys for Plaintiff

JUDGMENT

This action came to trial before the Court. The Court has heretofore made a decision on all issues presented by the parties.

IT IS ORDERED, ADJUDGED, and DECREED

1. That all findings of fact and conclusions of law previously announced by the Court are hereby made final findings of fact and conclusions of laws.

2. That Judgment be and the same is entered in favor of Marsh-McBirney, Inc. and against Montedoro-Whitney Inc. in the total amount of $1,797,456. The said amount includes prejudgment interest through March 21, 1988, the day before defendant Montedoro-Whitney filed its Voluntary Petition Under Chapter 11 (Case No. LA 8806007MCA).

3. That defendant Montedoro-Whitney Corp., its successors and assigns, agents, servants, employees, attorneys, successors in interest and assigns, and any other persons in active concert and participation with any of them, shall be and hereby enjoined from:

A. Making, using, or selling in the United States, defendants' model WDFM-7 and WDFM-8 having an electromagnetic sensor, and from otherwise infringing, contributing to the infringement of, and/or inducing the infringement of claims 1, 2, 3, 4 of the '249 patent, wherein the probe is an electromagnetic probe.

B. Repairing or replacing the acoustic probe in any unit initially sold with an acoustic probe by substituting in its place an electromagnetic probe.

C. Entering any new lease or new rental agreement with respect to any WDFM-7 and WDFM-8 "downhole unit" with an electromagnetic sensor.

D. Continuing to make available any sales brochures, technical memorandum, manual, data sheets, written specifications, or engaging in any advertising that makes any reference to an electromagnetic sensor in conjunction with Model WDFM-7 and WDFM-8.

E. The term "making, using or selling" as used herein shall include the use, development, manufacture, testing production, advertising, promotion, offering for sale, display distribution, and sale of any and all of the products described above, or experiments thereof, whose use involves the practice of the claims 1, 2, 3, and/or 4 of the '246 patent, with an electromagnetic probe.

F. This injunction is not binding on any customer of Montedoro-Whitney Corp.

4. Each party shall bear its own costs.

5. This Court, pursuant to 28 U.S.C. § 157(d), previously withdrew plaintiff's damage and injunctive claims from the

Bankruptcy Court for the purposes of completing the trial of this matter. This Court, pursuant to 28 U.S.C. § 157(a), hereby refers this case back to the United States Bankruptcy Court for the Central District of California. This Court retains ancillary jurisdiction over the claims for fees and expenses asserted against plaintiff's attorney.

/s/ William Keller
William D. Keller, Judge

Copies to:

J. Alan Galbraith, Esq.
Williams & Connolly
839 17th Street, NW
Washington, DC 20006

Frank Frisenda, Jr., Esq.
Frisenda, Morris & Nicholson
11755 Wilshire Boulevard
10th Floor
Los Angeles, CA 90025

IN THE UNITED STATES DISTRICT COURT
FOR THE CENTRAL DISTRICT OF CALIFORNIA

Civ. No. 86-3022 WDK (Mcx)

MARSH-McBIRNEY, INC.,
a Maryland Corporation

Plaintiff

vs.

MONTEDORO-WHITNEY CORPORATION,
a California Corporation,

Defendant

MONTEDORO-WHITNEY CORPORATION
a California Corporation,

Counter-Claimant,

vs.

MARSH-McBIRNEY, INC.
a Maryland Corporation

Counter-Defendant

FILED
APR 25 1988
U.S. DISTRICT
COURT DISTRICT OF
CALIFORNIA

ENTERED
CLERK U.S.
DISTRICT COURT
APR 29 1988
CENTRAL DISTRICT
OF CALIFORNIA
BY DEPUTY
THIS CONSTITUTES
NOTICE OF ENTRY
AS REQUIRED BY
FRCP, RULE 77(d).

LODGED
APR 27 1988
CLERK U.S.
DISTRICT COURT
CENTRAL DISTRICT
OF CALIFORNIA
BY DEPUTY

Richard A. Wallen
Michael J. MacDermott

HARRIS, KERN, WALLEN & TINSLEY
650 South Grand Avenue
14th Floor
Los Angeles, California 90017
(213) 626-5251

J. Alan Galbraith
WILLIAMS & CONNOLLY
839 17th Street, NW
Washington, DC 20006
(202) 331-5022

Brian G. Brunsvold
FINNEGAN, HENDERSON, FARABOW,
GARRETT & DUNNER
1775 K Street, NW
Washington, DC 20006
(202) 293-6850

Attorney for Plaintiff

AMENDED JUDGMENT

This action came to trial before the Court. The Court has heretofore made a decision on all issues presented by the parties.

IT IS ORDERED, ADJUDGED, and DECREED

1. That all findings of fact and conclusions of law previously announced by the Court are hereby made final findings of fact and conclusions of laws.

2. That Judgment be and the same is entered in favor of Marsh-McBirney, Inc. and against Montedoro-Whitney Corp. in the total amount of $1,797,456. The said amount includes prejudgment interest through March 21, 1988, the day before defendant Montedoro-Whitney filed its Voluntary Petition Under Chapter 11 (Case No. LA 8806007MCA).

3. That defendant Montedoro-Whitney Corp., its successors and assigns, agents, servants, employees, attorneys, successors in interest and assigns, and any other persons in active concert and participation with any of them, shall be and hereby enjoined from:

A. Making, using, or selling in the United States, defendants' model WDFM-7 and WDFM-8 having an electromagnetic sensor, and from otherwise infringing, contributing to the infringement of, and/or inducing the infringement of claims 1, 2, 3, 4 of the '246 patent, wherein the probe is an electromagnetic probe.

B. Repairing or replacing the acoustic probe in any unit initially sold with an acoustic probe by substituting in its place an electromagnetic probe.

C. Entering any new lease or new rental agreement with respect to any WDFM-7 or WDFM-8 "downhole unit" with an electromagnetic sensor.

D. Continuing to make available any sales brochures, technical memorandum manual, data sheets, written specifications, or engaging any advertising that makes any reference to an electromagnetic sensor in conjunction with Model WDFM-7 and WDFM-8.

E. The term "making, using or selling" as used herein shall include the use, development, manufacture, testing production, advertising, promotion, offering for sale, display distribution, and sale of any and all of the products described above, or experiments thereof, whose use involves he practice of the claims 1, 2, 3, and/or 4 of the '246 patent, with an electromagnetic probe.

F. This injunction is not binding on any customer of Montedoro-Whitney Corp.

4. Each party shall bear its own costs.

5. This Court, pursuant to 28 U.S.C. § 157(d), previously withdrew plaintiff's damage and injunctive claims from the

Bankruptcy Court for the purposes of completing the trial of this matter. This Court, pursuant to 28 U.S.C. § 157(a), hereby refers this case back to the United States Bankruptcy Court for the Central District of California. This Court retains ancillary jurisdiction over the claims for fees and expenses asserted against defendant's attorney.

Dated: 4/25, 1988 /s/ William Keller
William D. Keller, Judge

Copies to:

J. Alan Galbraith, Esq.
Williams & Connolly
839 17th Street, NW
Washington, DC 20006

Frank Frisenda, Jr., Esq.
Frisenda, Morris & Nicholson
11755 Wilshire Boulevard
10th Floor
Los Angeles, CA 90025

Presented by

HARRIS, KERN, WALLEN & TINSLEY

By /s/ Michael J. MacDermott
Michael J. MacDermott
Attorneys for Plaintiff

IN THE UNITED STATES DISTRICT COURT
FOR THE CENTRAL DISTRICT OF CALIFORNIA

Civ. No. 86-3022 WDK (Mcx)

MARSH-McBIRNEY, INC.,
a Maryland Corporation

Plaintiff

vs.

MONTEDORO-WHITNEY CORPORATION,
a California Corporation,

Defendant

MONTEDORO-WHITNEY CORPORATION
a California Corporation,

Counter-Claimant,

vs.

MARSH-McBIRNEY, INC.
a Maryland Corporation

Counter-Defendant

FILED
APR 20 1988
U.S. DISTRICT
COURT DISTRICT OF
CALIFORNIA

ENTERED
CLERK U.S.
DISTRICT COURT
APR 25 1988
CENTRAL DISTRICT
OF CALIFORNIA
BY DEPUTY
THIS CONSTITUTES
NOTICE OF ENTRY
AS REQUIRED BY
FRCP, RULE 77(d).

LODGED
APR 6 1988
CLERK U.S.
DISTRICT COURT
CENTRAL DISTRICT
OF CALIFORNIA
BY DEPUTY

Richard A. Wallen
Michael J. MacDermott

HARRIS, KERN, WALLEN & TINSLEY
650 South Grand Avenue
14th Floor
Los Angeles, California 90017
(213) 626-5251

J. Alan Galbraith
WILLIAMS & CONNOLLY
839 17th Street, NW
Washington, DC 20006
(202) 331-5022

Brian G. Brunsvold
FINNEGAN, HENDERSON, FARABOW,
GARRETT & DUNNER
1775 K Street, NW
Washington, DC 20006
(202) 293-6850

Attorneys for Plaintiff

FINDINGS OF FACT AND CONCLUSIONS OF LAW WITH RESPECT TO THE QUANTIFICATION OF PLAINTIFF'S DAMAGES ARISING FROM DEFENDANT'S INFRINGEMENT

This Court previously made findings of fact and conclusions of law to the effect that sales by defendant Montedoro-Whitney Corp. (M-W) of its WDFM-7 and WDFM-8 models with electromagnetic sensors infringed the Marsh '246 patent. This Court also previously made findings of fact and conclusions of law in which it determined that plaintiff Marsh-McBirney Inc. (MMI) had proven the necessary elements—namely, demand, a two supplier "niche" market, and manufacturing and marketing capability—such that MMI would have made sales of the same number of its own units if M-W had not made sales of the infringing models. As a result, MMI is entitled to damages based on its lost profits under an incremental income analysis. See,

e.g. Del Mar Avionics, Inc. v. *Quinton Instrument Co.*, 836 F.2d 1320, 1327 (CAFC 1987). These findings of fact and conclusions of law relate to the quantification of MMI's lost profits under the incremental income approach.

FINDINGS OF FACT

1. MMI in the domestic market would have sold a total of 536 additional "down-hole" units, with electromagnetic sensors, in the period 1983-87. Exhibit 373.

2. The evidence showed that MMI Models 250 and 265 competed against the WDFM-7 and that MMI Model 260 ("Flo-Tote") competed against the WDFM-8. Thus, in the 1983-87 period, MMI would have sold 76 additional Model 250 and/or 265 units and 460 additional Model 260 units in the domestic market. Exh. 373.

3. The evidence further showed that MMI's incremental profit on the Model 265 was less than on the Model 250. Compare Exh. 298 (Model 250) with Exh. 301 (Model 265). For this reason, MMI chose to assume for purposes of computing damages that the Model 265, rather than the Model 250, would have been purchased by customers who bought the WDFM-7. The Court finds this approach, to M-W's advantage, to be reasonable.

4. For purposes of determining incremental profit on additional units, it is necessary to examine, first, pricing, and second, costs.

5. In connection with pricing, MMI assumed that it would have sold the additional Model 265 and 260 units in quantities of 10, to give M-W the advantage of MMI's maximum discount from its published price list. See Exh. 296. In connection with fiscal 1987 Model 260 sales, MMI showed through the testimony of its in-house accountant, Mr. Darrell, that the 10-unit discounted price was significantly lower ($434 per unit) than the average price on all Model 260 sales in fact realized by MMI in

fiscal 1987. The Court finds that MMI's approach to pricing was reasonable, especially in that it was shown that the 10-unit discounted prices were significantly lower than the average prices actually realized by MMI.

5. In connection with costs, MMI deducted the major cost components in the manufacture of the Models 260 and 265; namely, direct material cost, direct labor, 35% labor overhead, product liability insurance and sales commissions. MMI showed the direct labor hours to assemble and test its Models 265 and 260 from its business records. Exhibits 301 (Model 265) and 300 (Model 260). MMI showed through Mr. Darrell's testimony that the labor rate was a composite rate based on actual labor hours billed divided by hours spent. The 35% labor overhead, to cover all fringe benefits, was suggested by M-W's in-house accountant, Mr. Cooper, was acquiesced in by MMI, and was in fact higher than MMI's experience, especially as MMI did not have a pension plan. MMI's evidence as to its direct material cost, product liability insurance, and sales commissions (15% sales price) was fairly shown in its exhibits. Exhibits 379 (Model 265) and 380 (Model 260).

6. M-W contended that MMI would have incurred further costs if it had produced the additional units. The Court specifically finds that MMI would not have been required to add additional supervisory personnel, but only additional direct labor, which MMI accounted for under direct labor and direct labor overhead as discussed in finding 5. In this connection, the Court notes that the impact on MMI of building the additional units in terms of personnel was not great because in any year the number of additional units was not large in relation to all models sold by MMI (compare Exhibits 372 with 373), and, further, MMI would have sold mostly additional Flo-Totes (460 out of 536) in which the labor hours per unit was small (13.5 hours per unit, per Exhibit 300). Further, Model 265 manufacture was diminishing rapidly in the relevant years (Ex-

hibit 372), with significant reduction in labor (42.53 hours per unit per Exhibit 301).

7. M-W further contended, with validity, that MMI would have incurred certain additional (variable) costs with increased production and sales, including such items as additional utility expense, small tool expense, bid bond expense, telephone expense (associated with additional customer contact), handling expense and paper expense (more invoices, etc.). MMI estimated these expenses at 30% of the total of direct labor and direct labor overhead. The Court finds this estimate to be a reasonable estimate of the additonal variable costs that MMI would have incurred in making the additional sales.

8. In computing incremental profit, MMI showed the pricing and costs (except for the additional variable costs discussed in finding 7) for its Model 265 in Exhibit 379 and for its Model 260 in Exhibit 380. MMI prepared its information, including the underlying information for the Model 265 found in Exhibit 301 and for the Model 260 found in Exhibit 300, on a fiscal year basis (with its fiscal year beginning July 1), while M-W supplied its sales information (Exhibit 373) on a calendar year basis. To compensate for this problem, MMI averaged the incremental profit for the two fiscal years surrounding the calendar year, and applied this average incremental profit to M-W's unit sales by calendar year to determine lost profits by calendar unit for the lost sales of Model 265 and Model 260. Exhibit 381. The Court finds this averaging, not questioned by M-W, to be reasonable.

9. MMI, in calculating prejudgment interest on prior year sales, used the interest rate actually paid by it under its line of credit, as shown in Schedule E of Exhibit 297. M-W did not challenge MMI's selection of prejudgment interest rate or the methodology of calculation (see M-W Exhibit 893, in which it uses the same approach, with the

same rates), and in any event the Court finds that MMI's rate and approach are reasonable.

10. At the conclusion of the testimony, the Court advised that MMI's damages calculation must be recalculated to take into account the estimated variable cost found in finding 7. To make this computation, it is necessary to ascertain for each fiscal year the total incremental cost on Exhibit 379 (Model 265) and Exhibit 380 (Model 260) by adding to total incremental cost an amount by fiscal year that equals 30% of direct labor (column 3) and labor overhead (column 4). In connection with the Model 265, the additional variable cost was $95 (1984), $116 (1985), $116 (1986), $116 (7/1/86-2/28/87), $134 (3/1/87-6/30/87), $134 (9/1/87-12/31/87). In connection with the Model 260, the additional variable cost was $37 (1985), $37 (1986), $37 (7/1/86-2/28/87), $43 (3/1/87-6/30/87), and $37 (7/1/87-12/31/87). As a result, total incremental profit for the Model 265 by fiscal year, as recalculated, was $2,180 (1984), $2,729 (1985), $3,499 (1986), $3,488 (7/1/86-2/28/87), $3,389 (3/1/87-6/30/87), and $3,351 (7/1/87-12/31/87). Total incremental profit for the Model 260 by fiscal year, as recalculated, was $2,806 (1985), $2,996 (1986), $2,917 (7/1/86-2/28/87), $2,952 (3/1/87-6/30/87), and $2,970 (7/1/87-12/31/87).

11. As observed in finding 8, MMI averaged the incremental profit in the two fiscal years around each calendar year to obtain incremental profit on a calendar year basis. The incremental profit so recalculated for the Model 265 was $2,180 (1983), $2,455 (1984), $3,114 (1985), $3,469 (1986), and $3,395 (1987). The incremental profit so recalculated for the Model 260 was $2,806 (1984), $2,901 (1985), $2,966 (1986), and $2,953 (1987).

12. In ascertaining lost profits, MMI multiplied the number of M-W's WDFM-7 units sold by calendar year against the calculated incremental profit for the Model 265 and multiplied the number of M-W's WDFM-8 units sold by

calendar year against the calculated incremental profit for the Model 260. As a result, for the Model 265, the lost incremental profit for 1983 was $6,540 (3 x $2,180), for 1984 was $51,555 (21 x $2,455), for 1985 was $37,368 (12 x $3,114), for 1986 was $97,132 (28 x $3,469), and for 1987 was $40,740 (12 x $3,395). For the Model 260, the lost incremental profit for 1984 was $89,792 (32 x $2,806), for 1985 was $403,239 (139 x $2,901), for 1986 was $483,458 (163 x $2,966), and for 1987 was $372,078 (126 x $2,953).

13. The prejudgment interest is calculated by year, based on the total dollar lost profits in that year (Model 265 + Model 260) at the interest rates shown in Schedule E of Exhibit 297. Based on the rates in Schedule E, the Court computes principal (from finding 12) and interest as follows:

Schedule of Lost Profits Plus Prejudgment Interest

	Balance Start of Period	Interest	Lost Profits For Period	Balance/End Of Period
1983	$ - 0 -	(15.7%)	$ 6,540	$ 6,540
1984	6,540	(10.9%)	89,792	
		713	51,555	
			141,347	148,600
1985	148,600	(12.0%)	403,239	
		17,832	37,368	
			440,607	607,039
1986	607,039	(9.9%)	483,458	
		60,097	97,132	
			580,590	1,247,726
1987	1,247,726	(8.3%)	372,078	
		103,561	40,740	
			412,818	1,764,105
1988 1/1-3/22	1,764,105	(8.3%) 33,351		1,797,456

14. The Court finds that MMI's lost incremental profit, with prejudgment interest, was $1,797,456 through March 22, 1988.

15. The Court has carefully considered the presentation of Mr. Cooper, in which Mr. Cooper calculated MMI's damages at $941,415. Exhibit 893, as amended by his testimony. The Court does not find Mr. Cooper's approach persuasive because it was not consistent with the incremental income approach to determining lost profits. Specifically, Mr. Cooper undertook to ascertain the incremental lost profit on the Models 265 and 260 from the financial statements, but it is not feasible to break out the incremental costs for just two of MMI's several products from the financial statements. Also, in testimony, Mr. Cooper relied in part on M-W's experience, but M-W's experience is not pertinent to determining MMI's lost profits.

CONCLUSIONS OF LAW

A. The Court concludes that MMI's use of the incremental income approach to the determination of lost profits was an appropriate methodology.

B. The Court concludes that MMI proved its damages under the incremental income approach with reasonable approximation within the meaning of the discussion in *Del Mar Avionics* v. *Quinton Instrument Co.*, 836 F.2d 1320, 1327 (CAFC 1987).

C. Based on these conclusions of law, the Court will direct entry of judgment in favor of MMI in the amount of $1,797,456.

4/20/88

/s/ William Keller
William D. Keller, Judge

Copies to:

J. Alan Galbraith, Esq.
Williams & Connolly
839 17th Street, NW
Washington, DC 20006

Frank Frisenda, Jr., Esq.
Frisenda, Morris & Nicholson
11755 Wilshire Boulevard
10th Floor
Los Angeles, CA 90025

Supreme Court, U.S.
FILED
JAN 10 1990
JOSEPH F. SPANIOL, JR.
CLERK

(2)

No. 89-954

IN THE

Supreme Court of the United States

OCTOBER TERM, 1989

MONTEDORO-WHITNEY CORPORATION,
Petitioner,

v.

MARSH-McBIRNEY, INC.,
Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

---

BRIEF IN OPPOSITION OF RESPONDENT MARSH-McBIRNEY, INC.

J. ALAN GALBRAITH
WILLIAMS & CONNOLLY
839 17th Street, N.W.
Washington, D.C. 20006
(202) 331-5022
Attorney for Respondent

January 10, 1990

PEERS OF BYRON S. ADAMS, WASHINGTON, D.C. (202) 347-8203

QUESTION PRESENTED

Whether the court below, though recognizing that petitioner had a valid post-judgment appeal in which it could have presented its liability arguments, properly declined to entertain these arguments, in response to petitioner's refusal as a litigation tactic to present its liability arguments in its post-judgment appeal?

LIST OF PARTIES

The parties to the proceedings below were the petitioner, Montedoro-Whitney Corporation, and the respondent, Marsh-McBirney, Inc. Respondent has no parent companies, subsidiaries, or affiliates to list pursuant to Rule 28.1.

TABLE OF CONTENTS

	Page
QUESTION PRESENTED	i
LIST OF PARTIES	ii
COUNTERSTATEMENT OF THE CASE	1
REASONS FOR DENYING THE WRIT	4
CONCLUSION	7

TABLE OF AUTHORITIES

	Page
CASES:	
Alcom Electronic Exchange, Inc. v. *Burgess* 849 F. 2d 964 (5th Cir. 1988)	5,6
Foman v. *Davis* 371 U.S. 178 (1962)	6
STATUTES:	
28 U.S.C. § 1292	4,5
RULES:	
Fed.R.App.P. 4(a)(2)	5,6
Rule 54(b) Fed.R.Civ.P.	5
TREATISES:	
1 J.W. Moore, Moore's Federal Practice § 204.14 (3d Ed. 1989)	6

IN THE

Supreme Court of the United States

OCTOBER TERM, 1989

No. 89-954

MONTEDORO-WHITNEY CORPORATION,

Petitioner,

v.

MARSH-McBIRNEY, INC.,

Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

---

BRIEF IN OPPOSITION OF RESPONDENT MARSH-McBIRNEY, INC.

COUNTERSTATEMENT OF THE CASE

The District Court conducted a trial that began on February 10 and ended on April 25, 1988, with the entry of the amended judgment in respondent's favor. At the outset, the District Court realized that it did not need to hear respondent's evidence pertinent to relief (damages, injunction) unless the Marsh '246 patent was valid and infringed. It therefore exercised its discretion in a non-jury trial to re-order the normal presentation of proof. It directed that respondent present its liability case, that petitioner present its

liability defenses, and that issues related to relief would be addressed if the patent were found valid and infringed. Petitioner litigated numerous affirmative defenses available under the patent laws, and the District Court in a series of oral rulings rejected these defenses at various times as the trial progressed. It then found that petitioner's flowmeters with electromagnetic sensors infringed the patent but that petitioner's flowmeters with acoustic sensors did not.

Just as the District Court was preparing to proceed to issues related to relief, petitioner made an oral motion to bifurcate the trial into liability and relief phases for the express purpose of permitting it to take an interlocutory appeal. The District Court denied this motion. Petition, p. 9a. Thereafter, petitioner managed to litigate yet further liability issues, but the remainder of the trial focused primarily on damage issues, with respondent's prayer for an injunction also being addressed. No judgment order, or decree was entered prior to April 25.[1] The amended judgment entered on April 25 recited, in paragraph 1, that: "1. That all findings of fact and conclusions of law previously announced by the Court are hereby made final findings of fact and conclusions of law." Petition, p. 22a.

On March 22, the District Court became aware that petitioner had filed on that day its first notice of appeal. It immediately advised petitioner's trial counsel that its previously announced findings of fact

[1] Petitioner's assertion on pp. 6-7 that it was appealing "certain oral orders" is incorrect. Both premature notices of appeal asserted that petitioner was appealing "orders," but no "orders" had been entered, only oral rulings announced.

and conclusions of law were not final, and even warned petitioner that it was vexatiously multiplying the proceedings in violation of 28 U.S.C. § 1927. Petition, p. 10a. Undeterred, petitioner filed a second premature notice of appeal on April 7. After entry of judgment on April 25, petitioner filed a timely notice of appeal from the judgment and respondent filed a timely notice of cross-appeal.

In brief and in argument, petitioner strenuously urged that the Federal Court did not have jurisdiction to hear respondent's cross-appeal because respondent had not filed a notice of appeal within thirty days of the non-infringement ruling with respect to petitioner's flowmeters with acoustic sensors. To be consistent, petitioner thus insisted in brief that it was presenting its liability issues only in the context of its first two appeals. Petitioner in brief expressly limited the scope of its timely post-judgment appeal to an issue related to damages. Petition, p. 10a.

Contrary to the statement on p. 8, lines 9-11 of its petition, the Federal Circuit did *not* hold that it did not have jurisdiction over petitioner's arguments on liability. To the contrary, the Federal Circuit recognized that it had jurisdiction to hear petitioner's liability issues in its timely post-judgment appeal of May 18: "It had a vehicle for all issues in its appeal of May 18, of course." Petition, p.10a. The Federal Circuit declined to consider petitioner's liability issues in connection with that appeal because petitioner as a litigation tactic had limited that appeal in brief only to damages. Petition, p. 10a. The Federal Court then reiterated its holding that it was without jurisdiction to hear petitioner's two premature liability appeals. Petition, p.10a. The Federal Circuit, very sensibly,

made petitioner pay the price of its own self-inflicted litigation tactic, in which petitioner had expressly limited its valid appeal to damages, in order to attack as untimely respondent's valid cross-appeal from the amended judgment.

REASONS FOR DENYING THE WRIT

1. This Court can have no interest in rescuing petitioner from its tactical decision (made by new counsel on appeal) not to pursue petitioner's liability issues in its valid, post-judgment appeal. Petitioner chose to attack the timeliness of respondent's cross-appeal. To do so, it chose not to litigate its liability issues in its valid post-judgment appeal, as it could not then attack the validity of respondent's cross-appeal. The Federal Circuit's ruling, making petitioner pay the price of its own litigation tactic, serves as a needed and powerful deterrent to unscrupulous advocacy.

2. This Court can have no interest in the administration of 28 U.S.C. § 1292(c)(2), a special statute that permits an appeal from a judgment in a patent case that is final except for an accounting. Since all such interlocutory appeals go to the Federal Circuit, the Federal Circuit can ensure the uniform and proper administration of this special patent statute.

3. Petitioner in any event has no basis for asserting that its premature appeals were somehow valid under 28 U.S.C. § 1292(c)(2). The reasons are manifold: (1) no judgment (order, or decree) was entered prior to the final judgment entered April 25, 1988, (2) the District Court denied petitioner's motion to bifurcate, so that it was entirely clear that its rulings on various liability issues were not intended as "orders" (much less appealable orders), (3) more than "an accounting"

remained until the end of the trial, as respondent was seeking an injunction, which was in fact entered, (4) the District Court unequivocally stated that its prior rulings were not final when petitioner's first notice of appeal came to its attention, on the very day it was filed, and (5) the amended judgment in paragraph one reiterates that the prior rulings were not final. The Federal Circuit correctly ruled, therefore, that petitioner was misusing 28 U.S.C. § 1292(c)(2) when it purported to appeal from a non-existent judgment thereunder. Petition, 9a.

4. This Court should not use this case as a vehicle to straighten out a conflict among the Circuit Courts of Appeal over when an appeal should be saved under Fed.R.App.P. 4(a)(2). In the first place, petitioner had a valid appeal to raise its liability issues, yet chose not to raise these issues in its valid appeal. If this Court ever addresses the scope of the savings clause of Fed.R.App.P. 4(a)(2), it should only do so on behalf of a litigant who did not file a timely post-judgment appeal and for this reason truly needs to be "saved." Secondly, the rulings that petitioner sought to appeal could in any event never serve as the predicate for a valid notice of appeal. The intermittent, non-final findings of fact and conclusions of law were neither "a decision" nor "an order" under Fed.R.App.P. 4(a)(2). Announced findings of fact and conclusion of law, without entry of an order under Rule 54(b), Fed.R.Civ.P., are not final but remain subject to revision under Rule 54(b). Thirdly, the Federal Circuit in its discussion followed the well-reasoned majority rule according to the Fifth Circuit's decision in *Alcom Electronic Exchange, Inc.* v. *Burgess*, 849 F.2d 964, 967 (5th Cir. 1988). The Federal Circuit's decision is

also in accord with 9 J.W. Moore, Moore's Federal Practice ¶'s 204.14, at 4-128 (3d ed. 1989), as the Federal Circuit points out. Petition, p. 10a. Certainly, this Court should decline to become involved in the administration of Fed.R.App.P. 4(a)(2) where the court below has followed the majority rule. Today, it seems clear that the minority rule will not be followed, especially as Rule 4(a)(2) was enacted in 1979, except where slavish obedience to uninformed precedent otherwise dictates (as apparently in the Fifth Circuit, according to the *Alcom* decision).

5. Petitioner asserts that this Court should exercise its supervisory authority over the Federal Circuit, asserting that its decision does violence to this Court's decision in *Foman* v. *Davis*, 371 U.S. 178 (1962), but there is no arguable merit in this assertion. In *Foman*, the issue was proper construction of a post-judgment notice of appeal. Petitioner's post-judgment (May 18) notice of appeal, however, presents no issue of construction; the notice in form was in all respects proper. To the contrary, the Federal Circuit expressly recognized, consistently with the result in *Foman*, that "petitioner had a vehicle for all issues in its appeal of May 18, 1988, of course." Petition, p. 10a. Thus, petitioner cannot complain of misconstruction of its post-judgment notice of appeal. Petitioner in its petition does not disclose that in its brief before the Federal Circuit it expressly limited its May 18 appeal to damages—and the Federal Circuit was merely "accept[ing] the case as it was presented" (Petition, p. 10a)—in other words, holding petitioner to its ill-conceived litigation tactic that boomeranged on petitioner, as it certainly should have.

CONCLUSION

For the reasons stated herein, the petition for a writ of certiorari should be denied.

Respectfully submitted,

J. ALAN GALBRAITH
WILLIAMS & CONNOLLY
839 17th Street, N.W.
Washington, D.C. 20006
(202) 331-5022

Attorney for Respondent

Dated: January 10, 1990

Supreme Court, U.S.
FILED
FEB 2 1990
JOSEPH F. SPANIOL, JR.
CLERK

No. 89-954

IN THE

Supreme Court of the United States

OCTOBER TERM, 1989

MONTEDORO-WHITNEY CORPORATION,
Petitioner,

v.

MARSH-MCBIRNEY, INC.,
Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF IN REPLY TO OPPOSITION OF RESPONDENT MARSH-MCBIRNEY, INC.

THOMAS JEFFERSON SCOTT, JR.
PENNIE & EDMONDS
Suite 1000
1730 Pennsylvania Avenue, N.W.
Washington, D.C. 20006
(202) 393-0177

Counsel of Record

Of Counsel:

BARRY D. REIN, ESQUIRE
PENNIE & EDMONDS
115 Avenue of the Americas
New York, New York 10036

PRESS OF BYRON S. ADAMS, WASHINGTON, D.C. (202) 347-8203

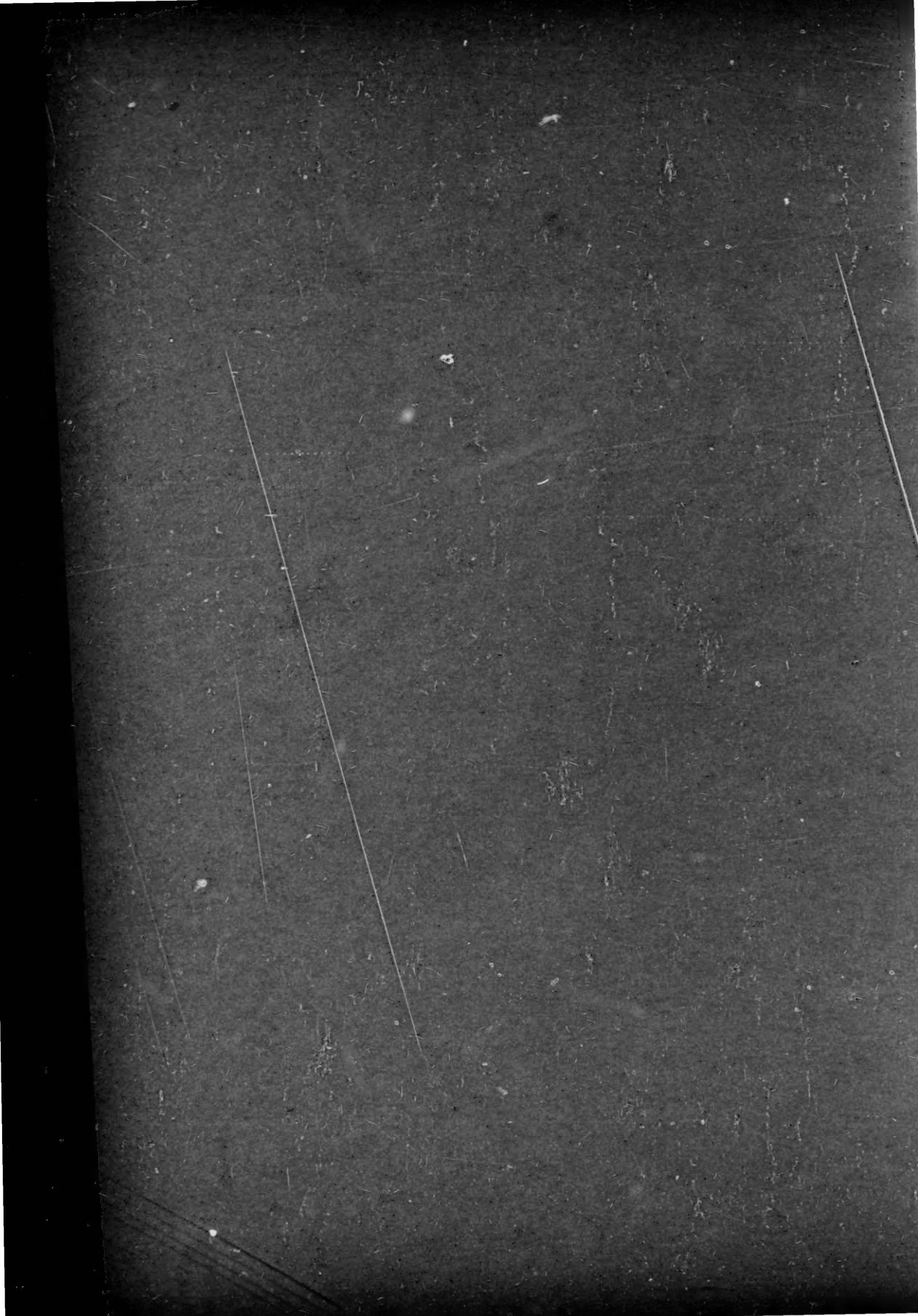

TABLE OF CONTENTS

	Page
RESPONSE TO RESPONDENT'S COUNTERSTATEMENT OF THE CASE	1
ARGUMENT	4
1. Petitioner's appeal on liability should have been saved under Fed. R. App. P. 4(a)(2)	4
2. This court should exercise supervisory authority over the Federal Circuit	7
CONCLUSION	8

TABLE OF AUTHORITIES

Cases	Page
Acosta v. Louisiana Dept. of Health & Human Resources, 478 U.S. 251 (1986)	8
Aguirre v. S.S. Sohio Intrepid, 801 F.2d 1185 (9th Cir. 1986)	5
Bankers Trust Co. v. Mallis, 435 U.S. 381 (1978)	8
Federal Sav. & Loan Ins. Corp. v. Quality Inns, Inc., 876 F.2d 353 (4th Cir. 1989)	5
Foman v. Davis, 371 U.S. 178 (1972)	7,8
General Television Arts, Inc. v. Southern Ry. Co., 725 F.2d 1327 (11th Cir. 1984)	4-5,6
Griggs v. Provident Consumer Discount Co., 459 U.S. 56 (1982)	8
Lac Courte Oreilles Band of Lake Superior Chippewa Indians v. Wisconsin, 760 F.2d 177 (7th Cir. 1989)	5,6
Leonard v. United States, 633 F.2d 599 (2nd Cir. 1980), *cert. denied*, 451 U.S. 908 (1981)	5
Marres v. American Academy of Orthopaedic Surgeons, 470 U.S. 373, 378-379 (1985)	8
Marsh-McBirney, Inc. v. Montedoro-Whitney Corp., 882 F.2d 498 (Fed. Cir. 1989)	5
Tidler v. Eli Lilly & Co., 824 F.2d 84 (D.C. Cir. 1987)	5
United States v. Hansen, 795 F.2d 35 (7th Cir. 1986)	4,6

Statutes and Rules

28 U.S.C. § 1927	3
28 U.S.C. § 1292(c)(2)	4
Fed. R. App. P. 4(a)(2)	2-7

Table of Authorities Continued

	Page
Fed. R. Civ. P. 52	2
Fed. R. Civ. P. 54(b)	4-6
Sup. Ct. R. 16.1	8

IN THE

Supreme Court of the United States

OCTOBER TERM, 1989

89-954

MONTEDORO-WHITNEY CORPORATION,
Petitioner,

v.

MARSH-MCBIRNEY, INC.,
Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF IN REPLY TO OPPOSITION OF RESPONDENT MARSH-MCBIRNEY, INC.

RESPONSE TO RESPONDENT'S COUNTERSTATEMENT OF THE CASE

Petitioner, Montedoro-Whitney Corporation, makes the following response to the Counterstatement of the Case submitted in respondent's opposition to the petition.

1. Respondent characterizes the district court's decision to hear and decide all liability issues in the case prior to the receipt of any evidence on damages as a reordering of proofs. Respondent states that such

reordering is the court's prerogative in a bench trial. Respondent's characterization is irrelevant. The district court, in fact, did hear and decide all liability issues rendering a decision on liability on March 16, 1988.

Respondent then argues that petitioner "managed to litigate further yet further liability issues" after March 16, 1988. Respondent's Brief (Res. Br.) at p.2. This contention is incorrect. The district court stated all its factual findings and conclusions of law on liability under Fed. R. Civ. P. 52 in trial sessions ending on March 16, 1988. Thereafter, the district court focused exclusively on the question of damages. The decision on liability rendered under Fed. R. Civ. P. 52 on March 16, 1988 was incorporated in the final judgment without modification. As respondent itself indicates at Res. Br., p.2., the district court stated in its final judgment that "all findings of facts and conclusions of law previously announced by the court are hereby made final findings of facts and conclusions." Plainly, then, the district court announced decision on all issues presented by the parties *prior to the entry of judgment*. See, Petition, p. 18a, 22a. Thus, in spite of respondent's implications, the decision on liability in this case was announced on March 16, 1988.[1]

2. Contrary to respondent's contention, the Federal Circuit did hold that it had no *jurisdiction* over

---

[1] The district court's denial of petitioner's motion to bifurcate is not at issue here. See, Res. Br., p. 2-3. Petitioner has not argued here that the notices of appeal filed prior to April 25, 1988 were timely filed, i.e., were not premature. Petitioner is only contending that those notices should be considered validated under Fed. R. App. P. 4(a)(2)

petitioner's liability appeals. The Federal Circuit held that the timing of notices of appeal was jurisdictional and cannot be waived. Petition, p. 6a. The Federal Circuit further held that petitioner's premature appeals were not saved under Fed. R. App. P. 4(a)(2). Petition, p. 9a. The lower court then specifically concluded, based on petitioner's jurisdictional argument before that court, that it was *without jurisdiction* to hear petitioner's appeals on liability.

Respondent urges that petitioner insisted that its liability appeal could *only* be heard in connection with the premature appeals and did so as a litigation tactic. Respondent further contends that petitioner's brief in the timely appeal was limited to damages only. Res. Br., p. 3. Respondent is simply not correct. Petitioner made a good faith argument that its premature appeals were timely filed but made no statement, in its jurisdictional statement or elsewhere in its principal brief, that its timely appeal was limited to the damages issues. Based on its view as to the timeliness of its first appeals, petitioner made an argument respecting the timeliness of respondent's cross-appeal. However, in advancing this alternative argument, it did not limit the *scope* of any appeal brought below. In fact, the jurisdictional statement in petitioner's principal brief below made statements directly to the contrary.[2]

---

[2] All appeals below were consolidated. Each party filed only one principal brief, each of which contained alternative arguments on jurisdiction and the merits of the appeals. Respondent's statement that the district court warned petitioner that its premature appeals were violative of 28 U.S.C. § 1927 is incorrect. The district court simply made no such statement. The reference in Federal Circuit's opinion is based on the court's vague response to a statement of respondent's counsel.

ARGUMENT

1. Petitioner's appeal on liability should have been saved under Fed. R. App. P. 4(a)(2)

Respondent states that petitioner had a valid appeal in which to raise the liability issues and yet chose not to do so. Therefore, respondent urges that this court should not address the scope of the savings clause in Fed. R. App. P. 4(a)(2) in this case because the present litigant did not need to be saved.[3]

Even if this argument were correct, it is irrelevant. In the lower court, petitioner had every right to rely upon the savings provision of Fed. R. App. P. 4(a)(2) when requesting that the Federal Circuit hear its liability appeals. Petitioner's jurisdictional argument regarding respondent's cross-appeal should not act as a bar to petitioner's reliance on this rule. The Federal Circuit has misapplied the savings provision of Fed. R. App. P. 4(a)(2) and this court should correct the Federal Circuit's error in denying petitioner a hearing on the merits.

Respondent, without substantive argument, concludes that the district court's findings of facts and conclusions of law were neither a decision nor an order as required under Fed. R. App. P. 4(a)(2). Respondent's basis for this contention is that without the entry of a Fed. R. Civ. P. 54(b) order, such findings and conclusions were "non-final" and remained subject to revision. This contention is a statement of the minority position expressed in *United States v. Hansen*, 795 F.2d 35 (7th Cir. 1986); *General Tele-*

---

[3] Respondent's comments on 28 U.S.C. § 1292(c)(2) can be ignored since the operation of that statute is not at issue here.

vision Arts, Inc. v. Southern Ry. Co., 725 F.2d 1327 (11th Cir. 1984) and the present case, *Marsh-McBirney, Inc. v. Montedoro-Whitney Corp.*, 882 F.2d 498 (Fed. Cir. 1989). The entry of a Fed. R. Civ. P. 54(b) order is not required for the savings provision of Fed. R. App. P. 4(a)(2) to be effective. When Fed. R. App. P. 4(a)(2) was adopted in 1979, the Advisory Committee clearly intended that it encompass decisions which were not final but which were subsequently entered as a basis for the court's judgment. Fed. R. App. P. 4(a)(2) Advisory Committee Note, *reprinted in*, Federal Judicial Procedure and Rules (1989). The majority of circuits have permitted a notice of appeal filed after the announcement of a decision or order on (1) liability or (2) less than all claims in a case to be *effective* upon the entry of that decision or order as *part of the final judgment. Federal Sav. & Loan Ins. Corp. v. Quality Inns, Inc.*, 876 F.2d 353 (4th Cir. 1989); *Aguirre v. S.S. Sohio Intrepid*, 801 F.2d 1185 (9th Cir. 1986); *Leonard v. United States*, 633 F.2d 599 (2nd Cir. 1980), *cert. denied*, 451 U.S. 908 (1981).

The question of whether a Fed. R. Civ. P. 54(b) order is required to permit an appeal to be saved under Fed. R. App. P. 4(a)(2) is an issue which has caused considerable confusion internally within the minority view. Contrary to respondent's argument, most circuits do not consider the entry of Fed. R. Civ. P. 54(b) order a requirement under Fed. R. App. P. 4(a)(2) to validate an otherwise premature appeal. *Tidler v. Eli Lilly & Co.*, 824 F.2d 84 (D.C. Cir. 1987); *Lac Courte Oreilles Band of Lake Superior Chippewa Indians v. Wisconsin*, 760 F.2d 177 (7th Cir. 1989). The question of finality under Fed. R. Civ.

P. 54(b) and its inconsistent treatment in *Hansen* and *General Television* indicates how ill-considered those cases are. *Hansen* adopts the view that a *final judgment* must be announced to satisfy the requirements of Fed. R. App. P. 4(a)(2). 795 F.2d at 37. *General Television* similarly holds that Fed. R. App. P. 4(a)(2) only validates an announced final judgment. 725 F.2d at 1331. The Federal Circuit has adopted this view. 882 F.2d at 503. Thus, in the minority view, absent a decision disposing of all claims and all issues in a case, the savings provision of Fed. R. App. P. 4(a)(2) is inapplicable. The Seventh Circuit, unconvincingly, attempts to distinguish the situation where a decision on less than all claims has been announced and no Fed. R. Civ. P. 54(b) certification has been entered.[4] The Seventh Circuit very feebly states that in such case, mere certification is required to effect an appeal. However, under Fed. R. Civ. P. 54(b), *absent certification*, the court's disposal of less than all claims is obviously *subject to revision* until certification is made. Thus, any such decision is not final. The *Hansen* decision never comes to grips with this inconsistency.

Petitioner submits that when the majority view is properly considered, the inconsistency which so troubles the Seventh Circuit in *Hansen* is of no moment. The proper view is that a decision which becomes a part of the final judgment can be appealed through a premature notice filed after the announcement of such decision. In the present case, the district court completely announced its liability findings prior to the

---

[4] The Seventh Circuit must distinguish the Fed. R. Civ. P. 54(b) situation because of its own contrary precedent. *Lac Courte Oreilles Band of Lake Superior Chippewa Indians v. Wisconsin*, supra.

first premature appeal and its decision on damages prior to the second premature appeal. The district court's liability and damages decisions were then incorporated in its final judgment. Clearly, this was a circumstance in which petitioner's appeal on the merits should have been heard. In spite of its allegations of "unscrupulous litigation tactics", respondent never contends that it was prejudiced by the premature appeals. Respondent also does not contend, because it cannot, that the district court's or the Federal Circuit's disposition of the case was ever disrupted by the premature appeals. The present case is precisely the situation for which Fed. R. App. P. 4(a)(2) was designed, i.e., to save a mistakenly filed premature appeal so that petitioner can be heard on the merits. The Federal Circuit's strained ruling, denying petitioner its right to be heard on the merits, should be reversed.

2. This court should exercise supervisory authority over the Federal Circuit

Respondent asserts that the present case is not controlled by *Foman v. Davis*, 371 U.S. 178 (1972) because the issue before this court is not the proper construction of a post-judgment notice of appeal. Respondent's argument should be rejected.

In the present case, petitioner filed a valid notice of appeal which the Federal Circuit held restricted to the damages issue only. The Federal Circuit's basis for this holding was that petitioner made an *argument* concerning the validity of respondent's cross-appeal. Petitioner knows of no authority for the Federal Circuit's holding that a jurisdictional argument can act as an *estoppel* as to the scope of a valid notice of appeal. The Federal Circuit's holding that a valid no-

tice of appeal can be construed narrowly is directly contrary to this court's holdings in *Bankers Trust Co. v. Mallis*, 435 U.S. 381 (1978) and *Foman, supra.* See, also, *Marres v. American Academy of Orthopaedic Surgeons*, 470 U.S. 373, 378-379 (1985).

Petitioner made a good faith argument respecting respondent's cross-appeal based on petitioner's view as to the timeliness of its first two appeals. The Federal Circuit's use of petitioner's alternative argument to defeat petitioner's appeals on the merits is a throwback to nineteenth century pleading practice in which a party could not advance alternative positions. The Federal Circuit's narrow view should be rejected.

CONCLUSION

The issues which this case raises under Fed. R. Civ. App. P. 4(a)(2) have been fully briefed in the papers now before the court. The Federal Circuit's error is manifest. The case is ripe for summary disposition under Sup. Ct. R. 16.1. Petitioner notes that such summary disposition was used in *Griggs v. Provident Consumer Discount Co.*, 459 U.S. 56 (1982) and *Acosta v. Louisiana Dept. of Health & Human Resources*, 478 U.S. 251 (1986). Such disposition is appropriate here.

For the reasons herein stated, petitioner respectfully requests that the petition for a writ of certiorari be granted and the Federal Circuit's refusal to hear petitioner on the merits be reversed.

Respectfully submitted,

THOMAS JEFFERSON SCOTT, JR.
PENNIE & EDMONDS
1730 Pennsylvania Avenue, N.W.
Suite 1000
Washington, D.C. 20006
Telephone (202) 393-0177

Counsel of Record

Of Counsel:

BARRY D. REIN, ESQUIRE
PENNIE & EDMONDS
1155 Avenue of the Americas
New York, New York 10036

Supreme Court, U.S.
FILED
JAN 16 1991
JOSEPH F. SPANIOL, JR.
CLERK

(4)

No. 89-954

IN THE

Supreme Court of the United States

OCTOBER TERM, 1990

MONTEDORO-WHITNEY CORPORATION,
Petitioner,

v.

MARSH-McBIRNEY, INC.,
Respondent.

On Petition For A Writ Of Certiorari To The United States Court Of Appeals For The Federal Circuit

SUPPLEMENTAL BRIEF OF PETITIONER MONTEDORO-WHITNEY CORPORATION

THOMAS JEFFERSON SCOTT, JR.
HOWREY & SIMON
1730 Pennsylvania Avenue, N.W.
Washington, D.C. 20006
(202) 383-6614
Counsel of Record

Of Counsel:

JERROLD J. GANZFRIED
HOWREY & SIMON
1730 Pennsylvania Avenue, N.W.
Washington, D.C. 20006

PRESS OF BYRON S. ADAMS, WASHINGTON, D.C. (202) 347-8203

IN THE

Supreme Court of the United States

OCTOBER TERM, 1990

No. 89-954

MONTEDORO-WHITNEY CORPORATION,

Petitioner,

v.

MARSH-McBIRNEY, INC.,

Respondent.

On Petition For A Writ Of Certiorari To The United States Court Of Appeals For The Federal Circuit

---

SUPPLEMENTAL BRIEF OF PETITIONER MONTEDORO-WHITNEY CORPORATION

Petitioner, Montedoro-Whitney Corporation, submits this Supplemental Brief pursuant to this Court's Rule 15.7.

In the period since the filing of the petition on December 12, 1989, this Court has issued its decision in *FirsTier Mortgage Co. v. Investors Mortgage Ins. Co.*, Docket No. 89-1063, decided January 15, 1991. The ruling in the *FirsTier Mortgage* case is directly applicable to one of the issues raised by the petition in this case. In petitioner's view, *FirsTier Mortgage* mandates that the petition be granted and that the

decision of the Court of Appeals for the Federal Circuit issued August 7, 1989 be summarily reversed.

In particular, in the *FirsTier* case, this Court held that Rule 4(a)(2), Federal Rules of Appellate Procedure, "permits a notice of appeal from a nonfinal decision to operate as a notice of appeal from the final judgment . . . when a district court announces a decision that *would be* appealable if immediately followed by the entry of judgment." [Emphasis in the original] *FirsTier, slip op.* at 7. In this case, petitioner filed a notice of appeal on March 22, 1988, shortly after the district court announced from the bench a complete decision on liability in this patent infringement case. Under 28 U.S.C. § 1292(c)(2), such a decision, if entered as a judgment, would have been immediately appealable. Compare, *Majorette Toys (U.S.) Inc. v. Darda, Inc. U.S.A.*, 798 F.2d 1390 (Fed.Cir. 1986); *H.A. Jones Co. v. KSM Fastening Sys.*, 745 F.2d 630 (Fed.Cir. 1984); *Saf-Gard Prods. v. Service Parts, Inc.*, 532 F.2d 1266 (9th Cir. 1976) (Kennedy, J.) to *Johannsen v. Payless Drug Stores Inc.*, 918 F.2d 160 (Fed.Cir. 1990); *Interconnect Planning Corp. v. Feil*, 774 F.2d 1132 (Fed.Cir. 1985); *W.L. Gore & Assoc. Inc. v. Carlisle Corp.*, 529 F.2d 614 (3d Cir. 1971).

Section 1292(c)(2), Title 28, United States Code, provides, in pertinent part, that the Federal Circuit shall have exclusive jurisdiction of an appeal from "a judgment in a civil action for patent infringement which would be otherwise appealable . . . and is final except for an accounting." As explained in the petition herein, the district court announced a complete decision on patent liability on March 16, 1988. Thus, if a judgment had been entered immediately thereafter,

that decision would clearly have been appealable. Under *FirsTier*, petitioner's March 22, 1988 notice of appeal was effective.

Since the *FirsTier* decision mandates reversal of the Federal Circuit's judgment in this case, petitioner respectfully requests the Court to enter a summary order to that effect under Rule 16.1.

Respectfully submitted,

THOMAS JEFFERSON SCOTT, JR.
HOWREY & SIMON
1730 Pennsylvania Avenue, N.W.
Washington, D.C. 20006
(202) 383-6614

Counsel of Record

Of Counsel:

JERROLD J. GANZFRIED
HOWREY & SIMON
1730 Pennsylvania Avenue, N.W.
Washington, D.C. 20006

Supreme Court, U.S.
FILED
JAN 17 1991
JOSEPH F. SPANIOL, JR.
CLERK

(5)

No. 89-954

IN THE

Supreme Court of the United States

OCTOBER TERM, 1990

MONTEDORO-WHITNEY CORPORATION,
Petitioner,

v.

MARSH-McBIRNEY, INC.,
Respondent.

On Petition For A Writ Of Certiorari To The United States Court Of Appeals For The Federal Circuit

---

SUPPLEMENTAL BRIEF OF RESPONDENT MARSH-McBIRNEY, INC.

J. ALAN GALBRAITH
WILLIAMS & CONNOLLY
839 17th Street, N.W.
Washington, D.C. 20006
(202) 331-5022

Attorney for Respondent

Dated: January 22, 1991

PRESS OF BYRON S. ADAMS, WASHINGTON, D.C. (202) 347-8203

IN THE

Supreme Court of the United States

OCTOBER TERM, 1990

No. 89-954

MONTEDORO-WHITNEY CORPORATION,

Petitioner,

v.

MARSH-McBIRNEY, INC.,

Respondent.

On Petition For A Writ Of Certiorari To The United States Court Of Appeals For The Federal Circuit

---

SUPPLEMENTAL BRIEF OF RESPONDENT MARSH-McBIRNEY, INC.

Respondent, Marsh-McBirney Inc., submits this Supplemental Brief pursuant to this Court's Rule 15.7.

Petitioner has filed a supplemental brief in this Court in which it contends that this Court's ruling in *Firstier Mortgage Co.* v. *Investors Mortgage Ins. Co.*, Docket No. 89-1063, decided January 15, 1991, governs disposition of the Rule 4(a)(2) issue which petitioner presented in its petition for certiorari. It does not. Unfortunately, this Court does not have the record before it. If it did, it would quickly appreciate that the District Court in this case did not announce

any decision, much less any decision that would be immediately appealable, prior to the entry of final judgment on April 25, 1989.

In this case, the District Court reordered the presentation of proof so that it heard (most of) the liability issues, including numerous affirmative defenses raised by petitioner, before it heard respondent's evidence on remedy. (The reason for reordering the proof was that the District Court did not want to hear respondent's evidence on remedy unless persuaded there was liability, with the result that petitioner presented its evidence on its many affirmative defenses ahead of respondent's evidence on remedy.) The District Court made findings of fact and conclusions of law on one liability issue after another over several days immediately prior to commencement of the remedy phase of the trial. These rulings were not reduced to orders or minute orders; rather, they were nonfinal, as is expressly recited in paragraph 1 of the final judgment entered April 25, 1988. These rulings had no different status than rulings on motions or evidentiary objections during the course of any trial.

After finding infringement and rejecting petitioner's affirmative defenses, the District Court immediately proceeded to hear respondent's evidence on remedy. Indeed, on March 16, 1988, it denied petitioner's motion to bifurcate the liability and remedy phases of the trial, which petitioner made for the purpose of attempting to set up an appeal under 28 U.S.C. §1292(c)(2). "The motion to bifurcate is denied. We are going to get this resolved." As a result, the District Court did not enter any order, judgment, or decree at the conclusion of (most of) the liability evidence. Such action would have been contrary to its

expressed intent to complete the trial as one trial, which required resolution of respondent's claim for damages as well as its prayer for an injunction.

The fact is that in this case there was *no* "announcement of a decision or order" at the conclusion of the liability phase of the trial. The District Court as of March 19 (when the Court and respondent thought all liability issues had been addressed) had made any number of rulings on liability, but it had not addressed any number of remaining issues. It had not heard evidence, for example, on whether petitioner and respondent sold into a two-supplier niche market; if they did, then respondent was entitled to "lost profits," which it in fact received, as this Court can tell from the affirmance of the District Court's ruling on this issue. After March 19, the District Court addressed further liability issues, including revisiting some that had been previously (and tentatively) ruled upon. As of March 19, the District Court also had not addressed respondent's prayer for an injunction; respondent obtained an injunction, which was both separately issued and incorporated in the final judgment entered on April 25 (from which petitioner filed a timely notice of appeal). Thus, not only did the District Court not announce a decision or order at the conclusion of the liability phase, but much more than an accounting remained, including respondent's request for injunctive relief.

In this case, there could be no arguable confusion by petitioner concerning the status of the litigation at the time it filed its premature notices of appeals. The District Court on March 22, the very day that petitioner filed its first notice of appeal, told petitioner that the rulings noticed in its appeal were *not* final.

The District Court specifically warned petitioner's trial counsel that in filing the initial premature notice of appeal on March 22, 1988 (which was on the same day that petitioner went into Chapter 11, in an effort to prevent completion of the patent trial) that it was vexatiously multiplying the proceedings in derogation of 28 U.S.C. § 1927. To complicate matters further, two of the three major liability issues which petitioner unsuccessfully sought to bring before the Court of Appeals in its premature appeals were not even decided by the District Court on days set out in the notices of appeal.

The Court of Appeals for the Federal Circuit, which had the benefit of the record[1], including the docket entries and relevant trial transcript, correctly wrote: "There was no announcement of a decision or order in this case except by the entry of the final judgment on April 25; entry of judgment was the 'announcement' of the decision." *Marsh-McBirney, Inc.* v. *Montedoro-Whitney Corp.*, 882 F.2d 498, 503 (Fed. Cir. 1989). Since there was no announcement of a decision or order, it is not possible for petitioner's premature appeals to be saved under Rule 4(a)(2).

This Court should deny petitioner's petition for certiorari for the simple reason that there was no announcement of a decision or order in this case prior to the entry of judgment. The situation is totally dif-

[1] The parties had sought to litigate their respective positions by motion before briefing. In recognition that the parties presented the facts very differently, the Court of Appeals deferred ruling until final decision, when it would have the benefit of the record. Needless to say, the Court of Appeals, with the benefit of the record, agreed with respondent's representations of the procedural facts.

ferent, therefore, from what happened in the *FirsTier Mortgage* case. Alternatively, this Court should remand the case to the Court of Appeals for reconsideration in light of this Court's decision in *FirsTier Mortgage Co.* It can then reconsider in light of this Court's decision *and* the record. Above-all, this Court should not summarily reverse the Court of Appeals, as urged by petitioner. Again, if this Court had the benefit of the record, it would be entirely clear to it that petitioner's position is without arguable merit.

Respectfully submitted,

J. ALAN GALBRAITH
WILLIAMS & CONNOLLY
839 17th Street, N.W.
Washington, D.C. 20006
(202) 331-5022

Attorney for Respondent

Dated: January 22, 1991